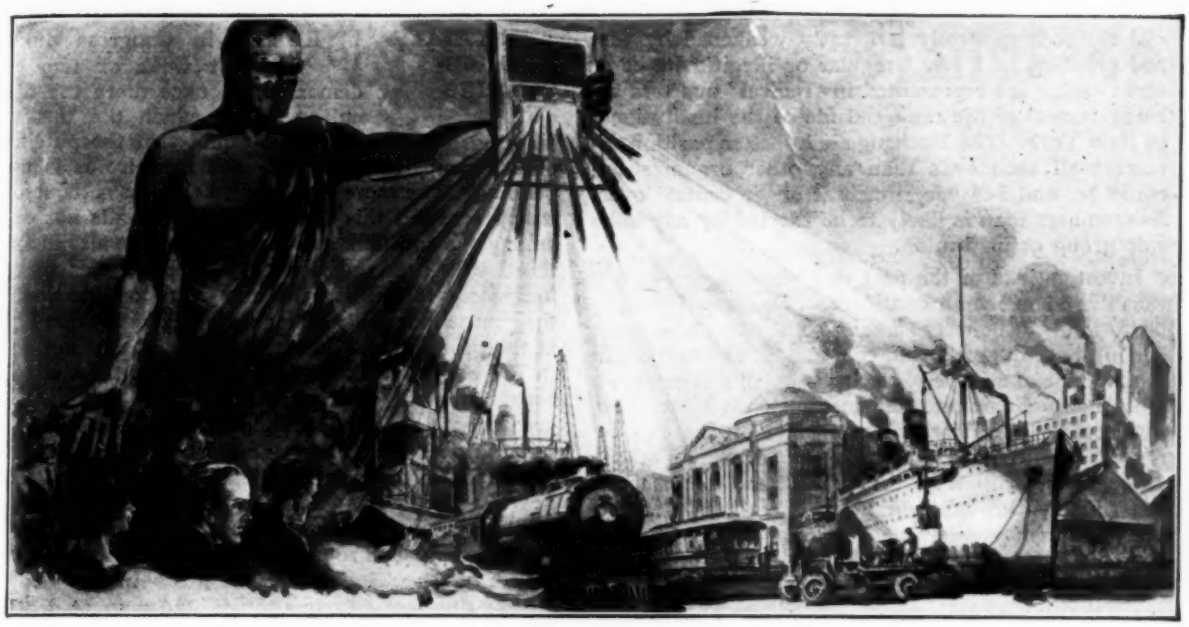


The Outlook

Radical Tendency of Labor—Drop in Income Tax Receipts—The Involved Tariff Situation—Money Rates—The Market Prospect

GOVERNMENT BY ASSASSINATION

AN outbreak of lawlessness and persistence of the revolutionary spirit which has prevailed ever since the war among many classes in Europe, has led to the assassination of General Wilson, the Chief of the British forces in Ireland, and to the murder under similar circumstances of Walter Rathenau, German Foreign Minister, in Berlin. Doubtless there was no connection between the two events except the "psychological atmosphere" which at times gives rise to attacks of this kind in a sort of cyclical series. The unfortunate reaction upon the financial markets all over the world, however, shows how the serious-minded elements in the community have interpreted these events. They undoubtedly suggest dangerous possibilties for the immediate future, indicating as they do the continuance of a Bolshevistic point of view on the part of various classes in the community which are determined either to rule or ruin.

* * *

THE RAILROAD LABOR SITUATION

THE action of the Railway Labor Board in cutting the wages of various classes of railway employees has now gone far enough to give rise to serious discussion of the chances of a railway strike; and "strike votes" are accordingly in progress among various bodies of railway men. Regardles of the outcome of the "strike vote," the Administration at Washington has already pledged itself to stand firmly by the Labor Board in carrying out the decisions which have been reached by that body.

It is worthy of note that, in spite of the very moderate reductions made by the Board, the average level of wages remains considerably higher in railway employment than in other occupations of a somewhat similarly-skilled character. This is the real point in the situation, since it raises the question whether railway employees would get the support of other bodies of men in their effort to obtain a level of wages materially better than the average now existing throughout the community. There is little more indication of sympathy on the part of the public at large for such a railway strike than there has been for the coal strike. Neither has attracted general support, for the very reason that the rates of wages in these two occupations were recognized as materially better than the average, hence as constituting a burden about as heavy as the industry could bear, and hence as representing a situation that in effect drew upon business and especially upon other classes of wage earners, in order to make up the remuneration going to the favored employees who were thus given an exceptionally high rate of pay.

* * *

RESTORING FINANCIAL CONFIDENCE

CONSIDERABLE progress is being made by the authorities of the New York Stock Exchange in the process of cleaning up and eliminating undesirable practices among, financial houses. The reforms thus instituted should be carried through to completion, and are likely to serve a far better purpose than any of the so-called legislative reforms which have been recommended in various quarters but which are unlikely to produce much result. Public-spirited financiers recognize that popular confidence in speculation and in finan-

cial methods generally is greatly weakened by the bad practices of a few irregular or illegitimate concerns which are represented in "radical" quarters as being typical of the rank and file of the institutions of New York. The Exchange is in better position to correct all such evils than any other organization could be, and has very much stronger control over its members than is likely to be exerted by any outside group or institution.

Investigations of the past few weeks have shown that there has been a considerable amount of irregularity and dishonesty among brokerage concerns, dealing both in stocks and commodities, even though the amount of such irregularity is small as compared with the total amount of business actually done. The maintenance of a spirit of confidence on the part of the community at large is necessary if New York is to keep its position as the chief financial center of the country through which the spare funds of the community may safely be invested. Every support should, therefore, be given to the exchange in the work it is now doing, and it should be encouraged to carry through its reforms without giving opportunity to politicians to anticipate its efforts.

* * *

THE TREASURY SITUATION

CLOSING the fiscal year which ends June 30, the Treasury Department is able to show a fairly satisfactory state of things with a comfortable surplus. This is in spite of a decided drop in income tax receipts. The second quarter's instalment of that tax, paid on June 15, yielded only $300,000,000, while the first quarter's receipts were about $390,000,000. This would indicate a total collection for the year of approximately $1,300,000,000, which is probably about 20 per cent less than had been estimated. The falling off in receipts is due in no small measure to the careful investment of incomes in tax exempt bonds, to the decline of large incomes which had greatly developed as a result of war profits, and to the general falling off in business during the year 1921 for which the current returns were made.

Altogether, the effect of these various influences has been to make the tax much less productive than had been supposed, even after allowance had been made for the very minor cuts which Congress provided for in the revenue act of 1921. For the coming fiscal year which opens on July 1, there is now an indicated deficit of not less than $500,000,000, and the question is, therefore, urgent whether the Treasury Department shall ask definitely for new taxes. This makes the situation one of direct financial interest to the community. Undoubtedly there are many who are disposed to urge a still further aggravation of the rates of the income tax. As experience shows, however, such an increase would not be likely to help materially. Gains would accrue only in the event that the income tax was pushed further down, to reach the lower-salaried elements in the community. Hence the revival of the sales tax proposal; this time, however, not as a substitute for, but as a supplement to, the income tax. It is a sad change of rôle.

THE TARIFF IN DIFFICULTIES

DEBATE in Congress during the past week or two has demonstrated once more the difficulties under which the tariff is laboring. There can be no doubt that the public is out of sympathy with any such measure as is now pending. The more it is studied the less satisfactory it appears, and this dissatisfaction prevails not only among the consumers of the country, but also among those who are supposed to be beneficiaries of the measure. Manufacturers are now convinced that they must inevitably suffer from the legislation both in their foreign and domestic trade and that not only in the export trade but also at home, they will be certain to lose their markets, owing to the much greater expenses of production and consequently higher prices which they must establish.

In fact, with the provisions of the tariff as they now stand, involving as they do a very high average rate on raw materials, the manufacturer will unavoidably be compelled to put his prices up to a materially higher level. The various interests in the Senate realize this fact clearly enough, and a great deal of the discussion in that body is naturally devoted to an effort to show that the criticism on the rates is inspired by biased or interested persons. This there is nothing whatever to indicate—the only interests which are opposing the tariff apparently being those who are regarded as its chief beneficiaries.

* * *

THE CUT IN DISCOUNT RATES

WHAT has been expected for a long time—a reduction of discount rates in the Federal reserve system has at length been accomplished. On the 21st inst, the Federal Reserve Bank of New York reduced its rate to 4 per cent. Two other reserve banks have already followed suit; and it is the current understanding that the others will do likewise, so that a 4 per cent rate will be established throughout the country at an early date.

The effects of a low bank rate will not be observable until the rank and file of the member banks begin to make much heavier demands upon them for current accommodation. When this will be, is purely a matter of speculation, although there are not a few who look for some development of the kind in the early autumn or sooner.

* * *

MARKET PROSPECT

OUR view of the position of the market is fully set forth in Mr. Wyckoff's article on another page in this number. Indications at this time are that barring unexpected foreign developments, the summer will witness an active and higher market in the railroad, petroleum, mining, equipment and steel stocks.

We believe that the proposed steel merger, as well as other mergers, will be carried out according to original plans and without any interference by the Government.

The recent decline has greatly improved the technical position. With the long trend still upward, investors are justified in holding the bulk of their securities for higher prices.

Monday, July 3, 1922.

Where the Treasury Stands

State of the Treasury — Refunding Liberty Bonds and Victory Notes—The Bonus and What it Means

An Interview with HON. ANDREW D. MELLON, Secretary of the Treasury

By THEODORE M. KNAPPEN

SOME men seek to emphasize an important fact by a free use of superlatives. Since Andrew Mellon became Secretary of the Treasury, Washington has discovered that it is possible to attain emphasis by understatement. He is sparing of adjectives and likes them best in the simple form. He is content to let facts establish their own importance; he considers it superfluous to reiterate that the large is large; the significant significant, etc. Mellon states the fact; he doesn't paint it red or hang an alarm bell to it. He reestablishes verbal normalcy. Washington correspondents skip through most of the official "releases" to see if by any chance there is anything in them. They weigh every word of statements by the Secretary of the Treasury to be sure that they get everything that is in them. These statements begin without introduction and end without exhortations. That is the way with this interview.



HON. ANDREW D. MELLON
Secretary of the Treasury

"There are many encouraging signs which point to the resumption of normal business activity," Mr. Mellon answered when I asked him what he thought of the general business trend. "The period of deflation has apparently ended, and prices are being gradually stabilized on a new level. Many of the basic commodities, including agricultural products, which showed unusually heavy declines during 1920 and the early part of 1921 have made substantial advances. In fact, many of them have risen 30 or 40 per cent or more from their low levels of some months ago, and in consequence there has been an important recovery in agriculture and some other industries. The production of pig iron and steel ingots has increased approximately 100 per cent from the low point of a few months ago. Car loadings of merchandise and miscellaneous freight are higher than at any time during the past three years. Interest and discount rates have declined greatly, and the so-called frozen loans of the banks have largely liquidated. The security markets have shown similar improvement. Liberty bonds are all selling at or about par, after having recovered from eight to twelve points during the past few months. Morevover, high grade railroad and industrial bonds have advanced from ten to fifteen points from the low point reached in 1920. In a word, banking and financial conditions have greatly improved, and there is now a sound basis for the gradual recovery of business and industry."

The Effect of Heavy Taxation

The next question bore on the relation of the present heavy federal taxation to the recovery of business. The interviewer expressed skepticism as to anything like full recovery so long as the government continues to absorb for non-reproductive use so large a part of the wealth of its people.

"It is doubtless true," the Secretary replied, "that business activity is materially affected at present by taxation, but the revenue act of 1921 has made a substantial reduction in the tax burden, running over $800,000,000 for the fiscal year 1923, as compared with the old law; and at the same time has provided for the repeal or reduction of several of the most vexatious

PUBLIC DEBT MATURITIES TO MARCH 1926

AMOUNTS AS OF MAY 31, 1922*

Date	Certificates of Indebtedness	Liberty Bonds, Victory Notes and Treasury Notes†	War Savings Securities‡	Total	Accumulated Total
June 15, 1922	$377,921,000	$254,484,500	.....	$632,405,500	$632,405,500
July 1922	.....	.....	.....	.....	632,405,500
Aug. 1, 1922	259,471,500	.....	.....	259,471,500	891,877,000
Sept. 15, 1922	362,562,500	.....	.....	362,562,500	1,254,439,500
Oct. 16, 1922	150,000,000	.....	.....	150,000,000	1,404,439,500
Nov. 1922	.....	.....	.....	.....	1,404,439,500
Dec. 15, 1922	243,544,000	.....	.....	243,544,000	1,647,983,500
Jan. 1, 1923	.....	.....	$636,708,753	636,708,753	2,284,692,253
Feb. 1923	.....	.....	.....	.....	2,284,692,253
Mar. 15, 1923	266,250,000	.....	.....	266,250,000	2,550,942,253
April 1923	.....	.....	.....	.....	2,550,942,253
May 20, 1923	.....	2,317,019,950	.....	2,317,019,950	4,867,962,203
June 1923	.....	.....	.....	.....	4,867,962,203
Jan. 1, 1924	.....	.....	64,325,789	64,325,789	4,932,287,992
June 15, 1924	.....	311,191,600	.....	311,191,600	5,243,479,592
Sept. 15, 1924	.....	390,760,100	.....	390,706,100	5,634,185,692
Jan. 1, 1925	.....	.....	28,680,338	28,680,338	5,662,866,030
Mar. 15, 1925	.....	601,599,500	.....	601,599,500	6,264,465,530
Jan. 1, 1926	.....	.....	18,219,245	18,219,245	6,282,684,775
Mar. 15, 1926	.....	617,768,700	.....	617,768,700	6,900,453,475
Total	$1,659,749,000	$4,492,770,350	$747,934,125	$6,900,453,475	

* Exclusive of Pittman certificates amounting to $77,000,000. † From preliminary statement of the Public Debt, May 31, 1922. ‡ From statement of the Public Debt, March 31, 1922.

and burdensome taxes, and for the simplification of the taxes that remain in force. The report of the Secretary of the Treasury for the fiscal year 1921 discusses at length the Treasury's views as to the effects of burdensome taxation. You may recall that it was pointed out in that report that heavy surtaxes not only tend to defeat their own purpose but also result in 'lessened production, unemployment, arrest of the country's growth and serious injury to the people least able to bear the consequences.' The report reflects sound economic opinion in saying: 'Does any one believe that if our policy in the past as respects taxation had been for the Government to take away from successful effort one-third, one-half or three-fourths of the gains resulting therefrom, we would have accumulated the wealth which we now possess, or have achieved our present position? There is not much incentive for men to take risks in any line of industry, when all risk must be borne by the individual, and, if ultimately success comes, a large part of the gain is taken away by the Government in taxes.'"

Large Incomes Not a National Burden

Parenthetically, it is worth noting that the report from which the Secretary quoted contains one of the clearest presentations in brief form of the principles of rational taxation that the writer has ever seen. I cannot forbear to quote a sentence that opposes the ignorant idea that large incomes are not consistent with the general welfare: "The accumulation of this necessary additional capital from year to year [in order to provide for the wants of an increasing population, a rising standard of living and the replacement of losses by waste, destruction and deterioration] can come about only through the savings of the people, and the amount which any individual can save and add to the capital of the nation, of course, increases progressively with the amount of his income. The larger the income the larger the possibility of saving. because of the larger margin over reasonable living expenditures."

Reverting to the actual fiscal position of the Government, the Secretary said concerning taxation and governmental expenditures:

"While taxation has been reduced, there has been also much gratifying retrenchment. Whereas expenditures for the fiscal year 1920 amounted to almost $6,500,000,000 and the ordinary expenditures for 1921 were more than $5,500,000,000 — including sinking fund and miscellaneous fixed-debt charges—the Administration expects to hold expenditures, on the same basis, for the fiscal year 1922 to about $3,900,000,000, and for 1923 to about $3,750,000,000. The review, as of June 1, from which I am quoting, remarks in this connection that the budget system has already proved to be the most effective arm of the Executive to enforce the determination to bring about a reduction in Government expenditures.

DETAILS AS TO U. S. FIXED DEBT CHARGES

Sinking Fund.....	$284,000,000
Purchases of Liberty Bonds from foreign repayments.	31,000,000
Redemptions of bonds and notes from estate taxes..	5,000,000
Retirements from Federal Reserve Bank franchise tax receipts.....	5,000,000
	$325,000,000
Interest on the public debt..	975,000,000
	$1,300,000,000

Deficit for 1923

"As to the relation of appropriations and expenditures to budget estimates, it appears that there will be some surplus of receipts over expenditures in 1922, but a substantial deficit [$484,000,000] in 1923, which should be overcome as far as possible by reductions in expenditure rather than by increases in taxation or debt."

The next subject taken up with the Secretary was that of the huge refunding operations which the Treasury must deal with in the next few years. He handed me the tabular statement published herewith and said:

"You will observe from this table that as of May 31, 1922, the public debt maturities to March 1926 were about $6,900,000,000. Within the fiscal year 1923 almost $5,000,000,000 of short-dated debt, consisting of Treasury Certificates of Indebtedness, Victory notes and war-saving securities will mature and in large part will have to be refunded. Treasury certificates of indebtedness, which a year or so ago were selling at interest rates of 5½ and 5¾ per cent, have recently been sold at 3½ and 3¾ per cent; and all issues outstanding are quoted at par or above.

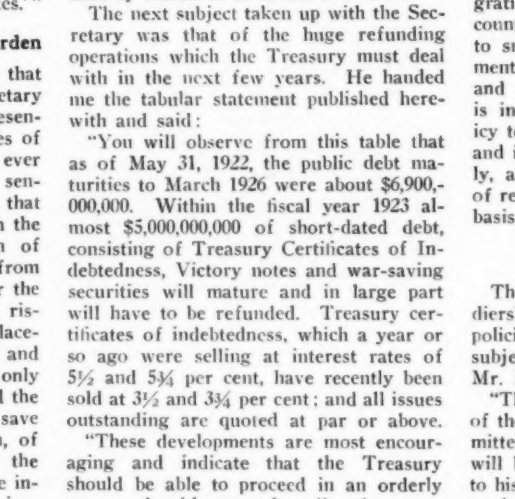
"These developments are most encouraging and indicate that the Treasury should be able to proceed in an orderly way, and without undue disturbance to business, with the great refunding operations that are still necessary in connection with the Victory Liberty Loan and other short-dated debt outstanding. **The progress which has already been made has been sufficient to show that the Treasury's refunding program is well adapted to the needs of the situation, and that its successful development will relieve the investment markets of the fear of spectacular refunding operations and permit necessary financing of business and industry to proceed without undue interference. It is, indeed, our hope that it will be possible to conduct these operations in such a way as to have no adverse effect on other securities.**

"In this connection, attention should be called to the offering last December of a new issue of Treasury Savings Certificates on terms designed to be particularly attractive to the small investor. Close cooperation between the Treasury and the Post Office Department has resulted in a unified peace-time Government savings program, and the new issue of savings certificates has already met with a gratifying response from all over the country. The result is to make available to small investors everywhere a government security well adapted to their needs and on the most attractive terms. This is in line with the Administration's policy to do its utmost to encourage savings and investment among the people generally, as one of the most effective means of restoring national prosperity on a solid basis."

The Cost of the Bonus

The probable cost of the proposed soldiers' bonus and its effect on the fiscal policies of the government was the last subject on which the interviewer sought Mr. Mellon's comment.

"This is a subject which the Secretary of the Treasury has canvassed with Committees of Congress," he said, "and it will be sufficient to direct your attention to his letters of January 24 and March 11 to the Chairman of the Ways and Means Committee of the House of Representatives. The estimates in the letter of March 11 apply to the bill as it passed the House, except in two particulars. The bill as passed provides that in case a veteran chooses the plan for farm and home aid, he shall be paid an amount equal to adjusted service credit increased by 25 per cent, payments not to begin before July 1, 1923. The bill in conection with which the estimates in my letter were made, provides that in such a case a veteran shall be paid an amount equal to his adjusted service credit, increased by 40 per cent, the provision to go into effect upon the passage of the bill. Consequently the estimates in the letter are slightly too large for the bill as it passed the House.



THE BONUS PLAN.
—Ireland in the Columbus *Dispatch*.

Bonus Will Add to Treasury Deficit

"The letter of January 24 pointed out that the bonus bill

(*Continued on page 379*)

Are Stocks Going Higher?

Present Position and Trend of the Stock Market

By RICHARD D. WYCKOFF

A VERY unusual amount of interest attaches to the present position of market. Are stocks likely to go higher, or has the trend turned downward?

The almost continuous rise from the low point of June and August, 1921, to the high point of 1922 recorded on May 29th, at a price of 81.80 for the average of 50 stocks, has been followed with profit to what is doubtless the largest public ever engaged in the speculative and investment markets.

As we have shown in a recent number, a vast amount of the buying power which absorbed the bonds and stocks offering in the market, originated in the conversion of Liberty Bonds. Investors, attracted by the comparatively high rates of interest, on railroad, industrial and other securities, have seen the advantage of securing these rates for long periods beyond the maturity dates of their Liberty Bonds, and this has led to an unprecedented demand for all classes of investment securities. As the net return on these issues gradually lowered, in response to rising prices, many investment funds flowed over into preferred and common stocks, as illustrated in our diagram in the December 10, 1921, issue.

From interest-bearing securities, to the lower grade speculative issues, was an easy step for many people—particularly those who lacked experience and were more influenced by the possibility of quick speculative profits than by income and gradual accretion in market value.

At the high point of May 29th, practically all purchases made at the low of last year or since showed their owners a substantial profit; but as is true in the case of most bull markets, few people got off at the very top.

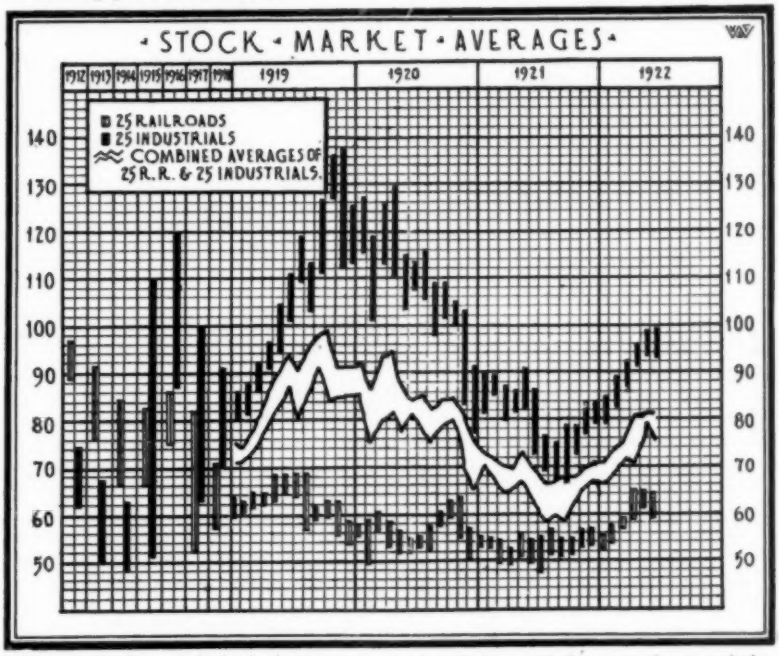
Among the various causes which brought about the reaction we find a number, of which the unfavorable effect was not anticipated. The market has been subjected to a series of sudden jars, which have caused a large public previously operating to withdraw into its shell and await the outcome. Up to a few weeks ago, purchasers of odd-lots of stocks, for example, were steadily increasing. The disclosures in the merger investigation, the failure of the German loan negotiation, and other incidents containing some element of surprise, caused a sudden chill in the buying enthusiasm and deprived the market of its principal means of support.

Five Point Reaction

A five point reaction in the averages of 50 stocks occurred in the first half of June, and it is interesting to observe what relation this decline bears to the previous up-swing and to see what inferences may be drawn from the occurrence.

The low point for 1921 having been 58.28, in June of that year, and the bottom of the last reaction, August, 1921, being 58.60, we may accept the latter as the starting point of the bull market which has been under way since. The rise, therefore, has amounted to approximately 23.20 points; therefore, the reaction from 81.80 to 76.72, or about five points, is 23% of the previous rise, and taken by itself appears nothing more than a reaction in a bull market.

The point which everyone wishes to determine is whether this indicates a change of trend or merely a temporary check in the main upward swing, which has been under way less than a year, according as the starting point is reckoned.



There are four principal elements or factors which may be used in determining the future course of the stock market, namely: (1) price movement, (2) duration, (3) volume, (4) breadth. Price movement cannot be based upon the action of any individual stock or a single group representing an industry, or a comparatively small number of issues. It must be gauged by a large number of issues, the prices of which should be averaged in order that the extreme movements in one direction or another may be absorbed by the main body of stocks employed as a basis for the averages.

Duration is a second factor which is to be considered in its relation to the average duration of previous bull and bear markets.

The volume of transactions is important, because it indicates the extent of two main factors—manipulation and public participation.

The breadth of the market indicated by the number of different issues traded in in a single session, is a factor related to volume, and for all practical purposes may be disregarded.

Duration

During the past twenty-three years the average duration of bull markets has been 25 months. The two bull markets preceding this, namely 1914-16, and 1917-19, continued for 24 months and 23 months respectively. The length of time for the market to register extreme depression and then swing up to the limit of optimism and down to the completion of the cycle, varies with the influences producing and sustaining the main swing.

It may be said in favor of the present bull market that it has a more solid foundation than the two immediately preceding it, for it is based upon investment demand and a general recovery in business—not on a foreign war or inflation, as were its predecessors. It is therefore reasonable to expect that the 1921-22 rise will at least equal the two mentioned, if, in fact, it does not exceed them in duration, unless, of course, it is interrupted by some influence of overpowering weight which turns all present calculations to naught. In the absence of such an influence, and reckoning solely from the standpoint of duration, we may expect another upward swing later in the year, and carrying over into 1923.

From the standpoint of volume and breadth of the market, a record of over thirty consecutive days in which a million shares or more were dealt in during recent months, should not necessarily be regarded as marking a turning point. There are two important factors that have contributed toward the establishing of a higher average volume than heretofore and which lead us to expect that million share days should in future mark a comparative minimum instead of a comparative maximum. These two factors are (1) the listing of many additional securities, and (2) the elimination of many bucket shops, resulting in the actual execution of orders on the Exchange, instead of mere bookkeeping entries made by pseudo-brokers who were operating against their clients.

In the light of recent events, we may consider that the large volume days of April and May no doubt contained a large percentage of artificial activity designed to stimulate public buying, but there were many quarters of the market in which the volume and activity were restricted, because the improvement in industry has not been uniform by any means, and certain groups are still in the rear of the procession.

The breadth of the market has indicated that a large variety of securities were bought or sold for investment or speculative purposes and confirms the factor of volume in attesting to the wide public interest in all classes of stocks and bonds during the recent period of activity.

Conclusion

From the standpoint of price movement we conclude that the long trend has not been reversed up to this time.

If we disregard the average price of the 25 industrials recorded in the extreme upward movements of 1916 and 1919 as abnormal and due to war conditions, then we must regard the rise in the 25 industrial stocks from about 66 in 1921 to 99 in 1922 as covering the greater part of the probable recovery in that quarter, that is well over half. But the railroads are in a different position. Normal average prices for railroad stocks, say, in 1912 and 1913, were from 76 to 97—or an average of about 86, whereas the average at the top of the May, 1922, swing was in the neighborhood of 65. It seems more reasonable therefore to expect the rails rather than the industrials to bring the average price of 50 stocks up closer to the 90 mark. We do not claim that the average of 50 stocks will reach 90. It may and it may not, but **there is apparently ground for confidence in the ability of the market to make further recovery after the present period of readjustment has been completed.**

In the Magazine of December 24, 1921, this writer made a forecast of the stock market for the coming year in which it was predicted that the average price of 50 stocks which then stood at 58 would, during 1922, work up to somewhere between 80 and 90. This prophecy has made good in less time than was then expected; the recorded price of 81.80 for the average on May 29, 1922, proved this.

The accompanying graph indicates that most of this advance was due to activity in the industrials; for the rails have risen only a small percentage thus far. It would appear, therefore, that if the averages of 50 stocks are to approach the 90 level, the rails must play an important part. It is not reasonable to expect the industrials to continue at the same pace they have been going, for this would carry the average for 25 industrials into levels attained only under the stimulus of war. If therefore the industrials advance in the next six months one-half as much as they have in the past six, they will be doing very well; on the other hand, the averages for the rails are well below the normal of pre-war years.

While the reaction up to June 28 amounted to only 5.20 points, or 23% of the previous advance, many individual stocks reacted 30% to 40% of their previous rise and at the low point again appealed to investors and traders who were not willing to buy at the high levels.

Two elements are necessary before public buying can take place in any large volume; namely, the possession of liquid funds, and confidence. We estimate that seven billion dollars of Liberty Bonds are still in the hands of the public and sooner or later many of these will be converted into other securities, but this will not occur to any large extent until public confidence in the future of the market has been restored. This may be a brief or a rather extended process, but we judge that sometime between July and September, inclusive, another demonstration of buying power and confidence will be recorded on the floor of the New York Stock Exchange.

Mathematics Applied to the Stock Market

A Simple Application of the Law of Probabilities to the Movements of Security Prices

By K. O. LOWELL

IT is perhaps unnecessary to advise old experienced investors and traders that successful investment and speculation requires *knowledge* based on *hard work, study* and *experience*, like any other business. However, the young man who is just beginning to acquire his knowledge of this important and fascinating subject, can derive some benefit from a more or less philosophical review of some of the essential principles that must receive serious and repeated consideration by any individual who hopes to be successful in accumulating and safeguarding his own private fortune, no matter how small his scale of operations may be.

At the outset it is well to bear in mind the old maxim "Let the shoemaker stick to his last." This applies with inexorable force in the field of investment and speculation. The young man who has a little money, and who is itching to become a bondholder or stockholder, should keep his money in the bank until he has taken plenty of time to give the subject sufficient study to know what he is about. There are many simple rules that a man must know before he can make a commitment in any security without taking long chances of losing his money, or at least buying something that is not adapted to his needs.

In the first place, he should make it a rule to act always on judgment, and never on hope. Whenever an investor or speculator has nothing left except the hope that his commitment will turn out all right, it is time for him to get out of the market by converting his holdings into cash or credit.

Relation Between Speculation and Investment

Investment and speculation usually go hand in hand. There is no such thing as a successful investor who knows nothing about, or takes no interest in, speculation and trading, for many of the forces that exert speculative influences on individual securities must be thoroughly appreciated in order to make well-advised investments. It is necessary, therefore, to appreciate the meaning of the big swings in security prices as well as the specific moves in individual stocks.

It is well to realize early in the game that "inside dope" is *fundamentally unreliable*, however sincere it may be. Bear in mind that general underlying business conditions are bound to have their effect regardless of all artifical efforts to the contrary, however strong they may be.

(*Continued on page 395*)

MATHEMATICAL FORMULA FOR SUCCESSFUL TRADING

Let n = total number of forces influencing the market price of a stock.

Let x = number of unknown forces.

Then n — x = number of known forces.

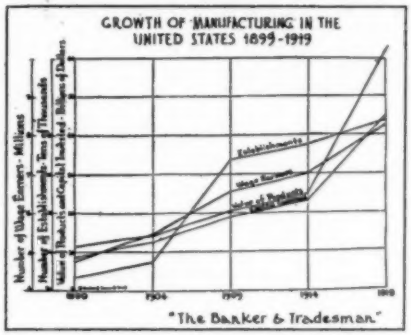
Successful trading requires that:

$$\frac{x}{n-x} < \frac{1}{2}$$

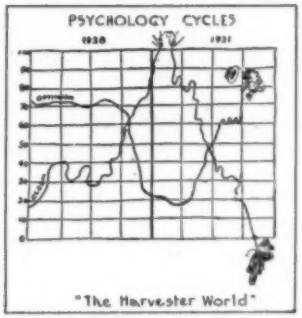
Or, expressed in plain English, the probabilities are in favor of a successful trade when the number of unknown forces is less than 50% of all the forces influencing the price.

THE TREND IN GRAPHS

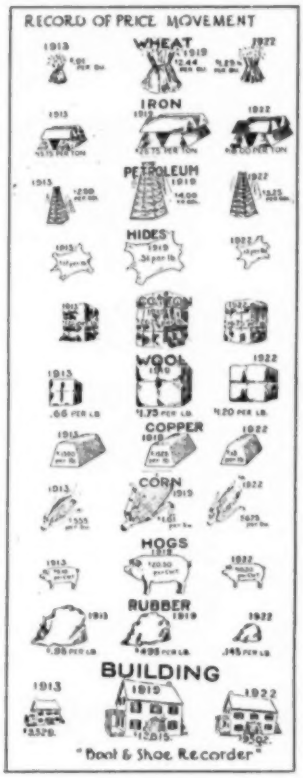
A GROUP OF SIGNIFICANT CHARTS CULLED FROM CONTEMPORARIES AND ILLUSTRATING IMPORTANT PHASES IN THE PRESENT SITUATION.



"The Banker & Tradesman"



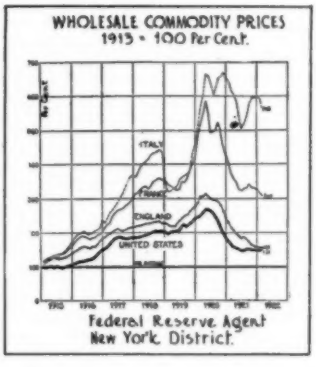
"The Harvester World"



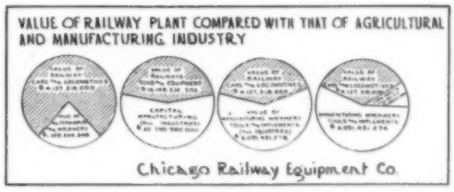
"Boot & Shoe Recorder"



Dept of Labor



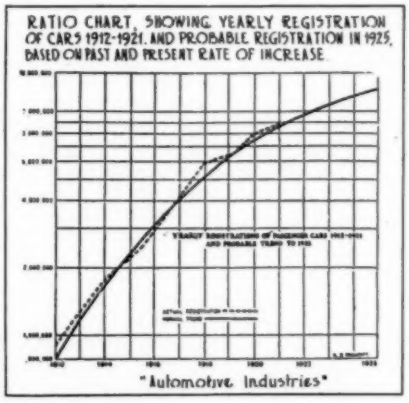
Federal Reserve Agent
New York District



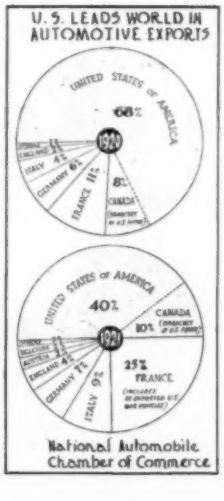
Chicago Railway Equipment Co.



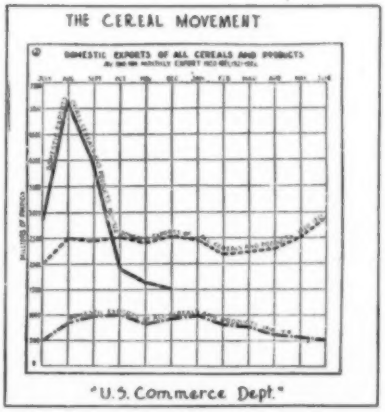
"Public Service Management"



"Automotive Industries"



National Automobile Chamber of Commerce



"U. S. Commerce Dept."

Business Outlook as Viewed by Economic Authority

Interview with H. Parker Willis Who Has Been, Until Recently, Head of Federal Reserve Business Analysis Service—He Finds Situation Hopeful—Some Problems Ahead

THE MAGAZINE OF WALL STREET, ***in the effort to develop the opinions of a few of the best current authorities on business and financial conditions, has submitted to several men whose views are likely to be of value, a series of questions relating to current problems of first importance. The first of these interviews is with Mr. H. Parker Willis, who, during the past four years, has developed the present extensive business analysis service of the Federal Reserve System.***

Q.—Is it possible to formulate a buying policy for business men at this time? Considering the possibility of another wave of inflation, are business men generally running a risk by waiting to cover their requirements?

A.—Perhaps there is no topic on which business men are today more uncertain and concerned than this. It was price recession and the results of the collapse that first threw business into the recent depression and the development of greater stability has been anxiously awaited. At present, prices are moving up—eight points during the past month and three during the preceding month. The advance is noteworthy in agriculture and in basic manufacturing industries. My own analysis of the situation indicates that conditions are shaping themselves for a further price advance. If that be true, those who have made forward contracts ought to protect themselves by making forward purchases of materials. Effort to do so on a large scale will, however, tend to produce the same results as in 1918-1919. It will aid in advancing prices and may easily bring about undesirable conditions in which business men will be working against themselves and against one another. I think it is desirable, on the whole, to continue short-term arrangements, both on the buying and selling side, until industry is a good deal more settled, keeping business as liquid as possible and avoiding borrowing for the purpose of carrying commodities. Special industrial conditions may require special changes, or modifications of policy, but this is the general situations as it now appears.

Q.—Business improvement has occurred, but there has been no appreciable strain on credit. When will credit stringency begin to reappear?

A.—The credit situation today is not far out of line with that which has existed in former periods of recovery from depression. It will be recalled that when prices began to fall back, advances nevertheless went on increasing for some eight months. Now, prices are rising and business more active, but there is the same "lag" in credit demand. Probably such lack of parallelism as exists is attributable to the influence of the new banking system which did not exist during any former business depression. No one can forecast exactly when this greater pressure of demand for credit will become intense. It is a complex problem—doubly so because of foreign conditions and demands. Personally, I look for a material enlargement of borrowing demand by the close of the summer. But there is no reason whatever for expecting this demand to develop into stringency. There is abundant lending power available to meet all legitimate requirements.

"RECOVERY from depression is going forward satisfactorily. The United States is more fortunately placed, industrially speaking, than any country in the world. There is no reason now in sight, barring labor troubles, of an aggravated sort, or new international complications, why this progress should not continue. It may be overdone and produce reaction from time to time, but the general advance of business toward normal prosperity seems likely to continue."

Q.—Bonds have risen considerably, but are still below their average prices of 10 *years ago. Will they return to the old levels?*

A.—The value of long-term bonds is largely a "function," as the mathematicians say of the rate of interest. What will be the exact course of rates of interest, it would be hard to say—harder now than ever before. But there is every reason to suppose that as capital accumulates and as the conditions of normally safe investment are restored, interest will fall, and the prices of bonds will advance still further. The great shortage of capital which exists in Europe makes the forecast far more difficult. As soon as European borrowers are able to come into our market with good security they will naturally draw off much of the capital available here, and in so doing they will tend to keep rates up and the values of old low interest bonds down, as compared with the levels that would otherwise be established.

Q.—How far is American industrial recovery associated with that of Europe?

A.—That is a question on which much difference of opinion is already apparent. Many clearly believe that the business and production of the United States are on a basis which is quite independent of that which prevails in European countries. Others think completer recovery here is impossible in the absence of recovery abroad. The latter is by far the more nearly accurate of the two views, yet it is true that there will be no benefit to any part of the world from unwise or unsafe loans, such as some of those that are being offered in this market. Complete business restoration will never occur in the United States until relatively complete restoration has taken place abroad. Yet it would be a barrier to normal conditions if we were to make hasty loans to Europe even if well secured. It will be wise to advance such funds as are needed to the development of legitimate business in Europe, but we must be judges of what the need for such advances actually is.

Q.—Can American ships compete with foreign shipping? Do we need a merchant marine or should we seek to develop marine service without regard to flag?

A.—Whether American ships can compete or not with foreigners is a question of technique. The testimony of experts and of men engaged in the shipping business like President James A. Farrell, of the U. S. Steel Corporation, shows that we can. This, too, is substantiated by much collateral evidence. We are, however, handicapped by obsolete and unwise navigation laws whose amendment in specified particulars has been recommended by an able committee of American ship-owners and operators. It is desirable to develop our marine as far as we can do so by giving it every legitimate advantage. Experience shows that in such a case, we shall reasonably share international trade with the vessels of other countries who are also interested in maintaining a marine.

Q.—Will there be an appreciable reduction in the burden of Federal taxation during the next few years?

A.—That depends entirely on the expenditures of the Government at Wash-

(*Continued on page* 394)

New Traps for Investors

How the States Help the Stock Swindler to Dress His Windows and Market His Wares

PART II

By W. SHERIDAN KANE

IN the preceding article it was shown how the ease with which charters are obtained makes possible the swindling of millions of untrained investors—which is a polite way of saying "suckers"—every year. Delaware, for instance, issues charters at the rate of about 5,000 a year, of which it has been estimated 98 per cent do not survive five years. They last just long enough for the promoter either to sell all of his stock or to realize that he has not picked a winning vehicle.

There are fashions in swindles just as there are in Milady's frocks. It is hard to sell gold mining stock in an oil year, just as it is difficult to dispose of shares in a sugar-growing corporation at a time when the fish are biting most freely on cord tires. Of course, the freak stocks are nearly always good. Patent clam-shell openers will always attract a crowd around a street fakir and the man who wouldn't know the proper approach to a clam nor which end to swallow first will eagerly fork over a dime for the joy of possessing the newest useless novelty. So with the freak stock. It will always attract a following.



"NEVER AGAIN!"

Even the soundest securities resemble fakes to the man who has been swindled by the fraudulent promoter. Legitimate business loses thousands of supporters each year, due to fake stock selling.

The Charter "Mill"

All kinds of defences are offered for the existence of the charter mills in Delaware, Arizona and one or two other states; principally, however, Delaware. They sound all very well, but after the last pro has been argued against the last con, the fact that will stick out will be: Delaware gets so much business from corporations that turn out to be swindles because Delaware favors the cheating promoter more than any other state favors him. And you can't get away from that.

A great many states have organized security commissions which popularly are termed Blue Sky Commissions because their purpose is to prevent the swindling stock salesman from selling the blue sky to the credulous. States that have advanced to this point are a reproach to such states as Delaware, for when you get right down to it the Blue Sky Commissions in this country could cease functioning tomorrow if every Delaware charter were wiped out. When I say Delaware charter either here or in any other place in this series I mean not merely those issued by Delaware but the similar charters issued by other states. The Blue Sky Commissions, in fact, represent the arming of the State to protect its citizenry against the invading robber. It may be to the credit of a State that it does seek to safeguard its people, but it is a shameful indictment of the State whose security offsprings are stamped "bogus."

Blue Sky Commissions cannot do everything. They cannot control the United States mails for one thing, and a great deal of this stock-selling to residents of "Blue-Skied States" is done by mail from other States. The Blue Sky Commissions conduct more or less searching inquiries into the equities behind each security and to some extent investigate the standing of the men ostensibly in back of the company. But it is so easy to inveigle reputable small-town business men—and big-town ones, too—into serving on directorates and as officers that the investigations seldom disclose the real Machiavellis. In fact, they frame up these stock-selling organizations now-a-days so as to pass Blue Sky Law inspection—a sort of talcum powder shave.

Whisking the Nest-Egg Away

We need not worry about the rich widow who is taken in by a spiritualist confederate of a ring of crooks, or the retired manufacturer who drops $50,000 or so in a stock swindle. What we should worry about is the small wage-earner who is concerned with the future of his family and determined that his children will not have to put up with the hardships he has had to suffer. He scrimps and saves. He makes up his mind to invest his money so as to have an income that will make it unnecessary for him to be dependent upon any one in his old days. He gets a nice little nest-egg together. It is not merely a little hoard of dollars, it represents the sweat of toil, frequently the suffering that comes from depriving oneself of all but the bare necessities of life. Then comes the glib-tongue promoter with his window display—and the nest-egg is gone.

The small merchant, the corner grocer, the butcher, the baker, the candlestick-maker, all these are interested in the campaign to wipe out fraudulent stocks and punish those who would sell them. Much of the money that is whisked away would have found its way eventually into the tills of the neighborhood shopkeepers, or if it remained in the town bank it would be available to the community tradesmen at such times as they needed financing. Properly invested in legitimate securities it would have yielded dividends or interest that still further would have swelled the local reservoirs of credit. But once bit, twice shy. The man who has been robbed becomes immediately suspicious of all stocks and all bonds, and when once again he has painfully gathered together a few dollars, he will keep them where they will do the least good to any one else. Then, when there might be a perfectly safe local opportunity for investment, one that would assist in the further development of his home town, increase the earning possibilities of himself and his children—then, he will be afraid to make this proper investment. The damage done by these swindles is not merely to be measured by the number of dollars they take away from John Smith today or Bill Jones tomorrow. They strike a blow at the present business fabric and check the

(*Continued on page 392*)

Foreign Trade and Securities

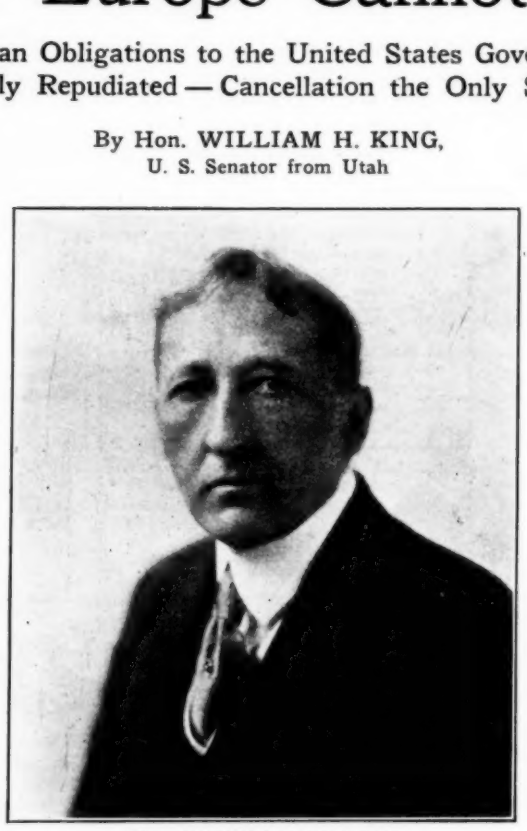
Why Europe Cannot Pay

European Obligations to the United States Government Virtually Repudiated — Cancellation the Only Solution

By Hon. WILLIAM H. KING,
U. S. Senator from Utah

IN my opinion, a large number of those in official life who have given serious thought and study to the problem resulting from the stupendous indebtedness of the countries of the world, believe that the payment of these obligations, if not impossible, presents such complications and presages such an economic catastrophe as to call for the adoption of some plan calculated to avert most serious industrial and political troubles.

There are many publicists and persons who have given earnest thought to the question referred to, who doubt that the collection by the nations of the indebtedness due them, would be advantageous to such nations or to the world. There are those who entertain the view that the indebtedness of the nations constitutes an impediment to the rehabilitation and stabilization of the world, industrially and politically.



Hon. WILLIAM H. KING,
U. S. Senator from Utah

Individuals pressed by overwhelming debt often sink beneath the mighty current and are flung by the waves out upon the shore as driftwood and wastage. Nations may be submerged and destroyed by overwhelming financial pressure, even as individuals are. Ancient Israel prescribed years of jubilee where creditors forgave their debtors. The accounts were balanced and all the people started anew facing the problems and the work of the future.

The liquidation of these international debts is a problem without precedent. The very magnitude of the amounts involved imparts to the problem a factor foreign to the experience of mankind. It may be said that the situation is *sui generis*, and neither the experience of the past nor the known factors of the present, permit a sound, rational or definite conclusion as to the wisest course to pursue, or foretell the results which will attend any particular policy.

Europe's Dwindling Gold

Of course there is an academic possibility of the debts being paid in full, but no one with vision or with humanity can conceive of this accomplishment within a reasonable period at the risk of destroying the vital and economic forces, if not the political integrity of most, if not all, of the debtor nations. Nor could such payment within the period indicated be obtained without pressure, indeed coercion, by the powerful creditor nations. Such a course would be not only impolitic but is results catastrophic. It would destroy all bases of credit, (limited though it now may be) which debtor nations possess, and would cause industrial and political reactions that would add to the chaos now existing in various parts of the world.

The limited gold supply now possessed by European nations is but a slender basis for any sort of currency, and but a weak reed to proffer as a foundation for further credits. To drain Europe of her moiety of gold would be to further bleed a dangerously sick person and jeopardize its chances of recovery. Europe owes not only the Government of the United States, but it is indebted to American business houses and citizens of the United States to the extent of more than six billions of dollars. **If the United States should press unduly and to the breaking point its claims against Europe, the reactions would be most unfortunate and undoubtedly would culminate in either a total loss of the huge amounts due American citizens and American business houses, or would postpone any possibility of payment for perhaps a century or more.** And our government in demanding its "pound of flesh" must not overlook what is due from European countries to American citizens, and secure a preference in payment, which would seriously injure the latter. It is manifest that if the financial and economic rehabilitation of Europe is indefinitely postponed, it will occasion industrial depression in the United States, and result in losses amounting to Billions annually to the American people. Whether we like it or not, our international trade and commerce is a barometer indicating the state of our prosperity. If we contribute to Europe's economic delinquency, or directly or indirectly prevent her industrial revival, we are erecting impediments to business revival and prosperity in the United States. If Europe prospers, America will prosper. If Canada and Great Britain and France and Italy and Germany and other European nations are bankrupt, business stagnation will be experienced in our country and the pall of financial depression will overhang the entire land. The stupendous indebtedness of Europe, all must confess, is an obstacle to her industrial resuscitation; and if business revival does not return, political upheavals will result and Europe will be thrown into a seething caldron, the frightful results of which will be felt throughout the world.

We Must Save Europe

In saving Europe financially and economically, we are saving the United

States. There are more than sentiment or tenuous cords binding nations and peoples and continents. Where there may be no real connections, such as bound the Siamese twins, there are vital ligatures binding peoples and nations, which if injured or severed, disastrously affect those countries to which they are attached.

Referring to the obligations due from European nations to the United States, it may not be improper to recall that these debtor nations took no money from the United States. The obligations arose in payment for commodities produced in the United States and purchased by our associates in the war. We had a surplus of agricultural and livestock products, of copper and other metals, of manufactured goods and of stocks and supplies imperatively needed in prosecuting the war against the nations with which we were in conflict. Our allies while fighting their battles, were fighting our battles. Any aid given them was a contribution to our own cause. They purchased billions of our products and gave their written obligations in payment therefor. The American producers profited by the sales which were made and our national wealth was augmented. If these commodities had not been shipped to Great Britain, France, Belgium, Italy, the industrial activity which we experienced would have been less and our allies would perhaps have been unable to carry on the war with the vigor and success which attended their efforts. In the event our burdens would have been greater and our expenditures for war purposes, stupendous as they were, would have have been further increased. So the purchase of our goods and commodities added to our prosperity, aided our allies in the gigantic contest and diminished the ultimate amount which the war cost the United States.

Moral vs. Economic Considerations

I do not mention these facts for the purpose of contending that our allies are not indebted to the United States or that there is no legal or moral obligation for the payment of the same. However, the *reason* of an obligation may always be inquired into and justice as well as common sense, may permit, indeed, may demand a scaling down, or an extinguishment of obligations which may be technically valid or morally redeemable.

However, it is not necessary at present to consider the moral obligation. These international debts are valid. They were contracted for value received, and I do not believe any debtor nation will openly challenge the moral consideration, no matter how impressed such a nation may be with this point. Perhaps the wise and politic and humane course would be for all nations to readjust their financial obligations with a view to relieving the people from oppressive burdens and which are almost insuperable obstacles to production and restoration.

The debtor nations seem, like Prometheus of old, chained to the rock, with the vulture of debt constantly gnawing at their vitals. Viewing the problem in this light, much can be said in favor of a complete extinguishment of all international debts, particularly those growing out of the world war. However, it should be added that Germany is not so favorably situated to hope or pray for such a beneficent, benevolent and miraculous consummation.

If the allied and associated powers should mutually cancel the debts due each, with justice it could be contended that Germany and Turkey and Bulgaria and Hungary and Austria should not be entirely relieved. Germany particularly, would, in justice be held to make some reparation.

It is obvious, of course, to anyone who is familiar with Europe, that the rehabilitation of Germany is vitally important to a restored Europe, and America is profoundly interested in Germany's prosperity. She purchased hundreds of millions annually of our products, and her commerce with other European nations would increase their wealth so that they could become purchasers of our surplus products and thus add to the prosperity of the American agriculturalists and manufacturers.

France and other continental nations owe great war debts, aggregating billions to Britain, and Great Britain owes more than four billions of a like nature to the United States; continent nations owe war debts to France. Germany under the reparations decision owes the Allies approximately 34 billions of dollars. These obligations as well as the debts of other European nations and of European peoples amount to more than 200 billions of dollars, and seem to be beyond the range of payment, indeed of proper appraisement, and obviously prevent an economic revival.

Great Britain the Only Exception

It is significant of how appalling the debts are to our former allies that none of them except Great Britain is actually making budgetary provision for meeting these obligations in any appreciable degree. The chances are that whatever happens to the other debts, Britain will pay hers if we insist, provided the world is not plunged into another cataclysm. It was not long ago that M. Loucheur bluntly stated that there was no possibility that France could ever meet her obligations to the United States, and there is much to support the view that other statesmen of other debtor countries entertain a similar view regarding the debts of their respective governments.

The mere mathematics of the problem seem to them to be insuperable. They might pay in goods, they say, but we won't have the goods; and they can't pay in gold, because we have practically all that is available. **A leaflet recently is-**

(*Continued on page* 384)

OBLIGATIONS OF FOREIGN GOVERNMENTS TO THE UNITED STATES

(As of June 1, 1922.)

Country	Principal Amount of Obligations	Interest accrued and unpaid up to and including the last interest period	Total Indebtedness	Interest Heretofore paid
Armenia	$11,959,917.49	$1,177,548.63	$13,137,466.12	.....
Austria	24,055,708.92	2,165,013.81	26,220,722.73	.....
Belgium	377,123,745.94	51,391,987.94	428,515,733.88	$14,394,347.46
Cuba	8,147,000.00	.....	8,147,000.00	1,656,058.14
Czecho-Slovakia	91,887,668.65	11,936,591.38	103,824,260.03	304,178.09
Esthonia	13,999,145.60	1,695,002.82	15,694,148.42	.....
Finland	8,281,926.17	723,156.02	9,005,082.19	.....
France	3,340,857,593.29	430,049,062.65	3,770,906,655.85	160,285,131.07
Great Britain	*4,135,818,358.44	611,044,201.85	4,746,862,560.29	250,132,185.50
Greece	15,000,000.00	375,000.00	15,375,000.00	1,159,153.34
Hungary	1,685,835.61	151,725.21	1,837,560.82	.....
Italy	1,648,034,050.90	243,480,583.37	1,891,514,634.27	57,598,852.62
Latvia	5,132,287.14	450,009.25	5,582,296.39	126,266.19
Liberia	26,000.00	2,868.85	28,868.85	861.10
Lithuania	4,981,628.03	496,162.80	5,479,790.83	.....
Nicaragua	170,585.35	.....	170,585.35	.....
Poland	135,662,867.80	12,931,555.31	148,594,423.11	1,290,620.78
Roumania	36,128,494.94	4,960,891.96	41,089,386.90	263,313.74
Russia	192,601,297.37	35,200,671.99	227,801,969.36	5,159,062.09
Serbia	51,153,160.21	6,719,035.42	57,872,195.63	636,059.14
Total	$10,102,707,271.76	$1,414,953,069.26	$11,517,660,341.02	$493,006,089.28

* Includes $61,000,000 of British obligations which were given for Pittman silver advances and for which an agreement for payment has been made.

Cuba pays interest as it becomes due.

No interest due on Nicaraguan notes until maturity, as is also the case with certain Belgian obligations aggregating $2,284,151.40.

Money, Banking and Business

Continued Growth of Business

Production Continues to Grow—Demand for Goods Active — A Promising Outlook

By H. PARKER WILLIS

ONCE more it has been true that the striking development of the month has been found in connection with the money and investment situation. The cost of funds in the New York market has fallen to the lowest point reached for more than four years past, standing at 2¾ per cent for call, with a renewal figure of the same amount on several successive dates. Commercial paper charges have also tended downward, and to cap the climax several Federal Reserve banks have reduced their discount rate to 4 per cent, following in the footsteps of the Bank of England, which on June 15 announced a reduction of its rate to 3½ per cent. The effect has been to render available funds still more cheap, and since, as already well known, they have for some time past been more abundant, a still stronger stimulus has been given to investment and speculation and in a more moderate degree to business.

Rates for Money

These rates for money are in themselves a business phenomenon of the first order and deserve to be carefully studied in connection with the accompanying graphs showing the movement of rates. Such studies show that the decline has brought conditions back to about the situation which existed in 1917, and may suggest to some that we have practically passed the effects of war finance in so far as rates are concerned. This would be a hasty conclusion, for the cost of commercial credit, especially as represented in the return which must be offered by bonds, and is still much higher than in pre-war days. The index of corporation credit herewith graphically presented is 4.60 and varies but little from that of the preceding month. All such indexes of corporate credit show that the cost of money to first-class borrowers on long term is still decidedly above pre-war figures, and it may be added that this condition is likely to continue. There is thus a wide gap between short-term charges for short-term money and long-term funds, the latter being, of course, the outcome of the situation as to industrial capital. Europe at present has an almost insatiable potential demand for industrial investment, and as fast as we permit it to be satisfied in this market, foreign countries will draw off funds from our banks and from our investors for their own use.

The effect of this foreign demand must necessarily be to maintain rates for long-term investment at a level much higher than would otherwise exist. Nevertheless, it is a matter of great gratification that money and capital costs have come down as rapidly as they have, and that ordinary commercial business is able to supply itself as freely as it now is and at as low cost. Indeed, the danger of the present date is that banks, finding their earnings low, may once more yield to the inflation danger, and may allow themselves to be betrayed into rather unduly free lending with the result that overproduction may again ensue.

Upward Movement in Prices

There is already some little indication of a trend in this direction. The upward movement of prices is proceeding and during the past month has been some eight points. Although the advance is not yet very pronounced as compared with last year, it is already sufficient to show the increase quite unmistakably. The same tendency is to be noted in some foreign countries, but apparently the United States, having "deflated" further and more sharply than most of the other nations, is now reacting more quickly than they under the impetus of cheap money and better demand. This state of things is likewise indicated by the advance in the value of sterling which has been so notable a feature of the past month and which at one time brought the quotation of the British pound to 4.50 and temporarily held it there.

The price increase is the outcome, as usual, of a good many complex conditions, included in which are largely employment, better purchasing power, cheaper and freer credit, and a number of others. Too much emphasis should not be placed upon this advance, for it is still within the power of the banks and credit institutions to prevent undue inflation from occurring, while it is far from certain that the business public, taught as it has been by the hard lessons of the past few years, will enter again into a speculative period of price booming.

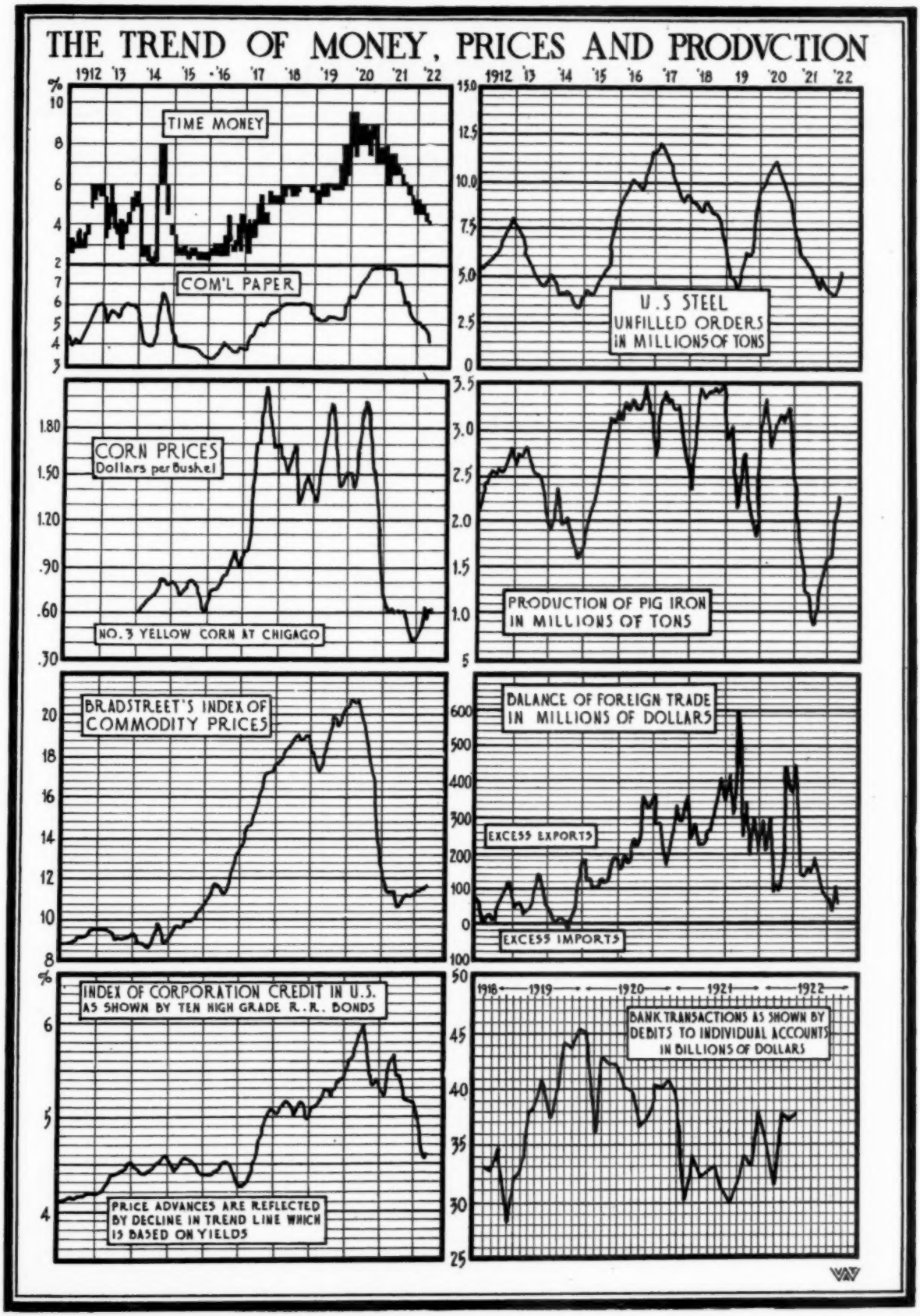
Production Greatly Advanced

Remarkable as the change in the money and price situation has been, it is scarcely more remarkable than the steady development in the volume of production. In this connection the production indexes developed by the Federal Reserve Board and recently published for the latest dates available, are of very substantial interest, showing as they do the growth in most lines as compared with a year ago. In those in which a decline is indicated the reason is to be found chiefly in labor disturbances. This explains the recession in coal production and in cotton shipments.

In fact, it is clearly true that if we could overcome the coal and textile strikes and some other allied disturbances, the general business of the country would be upon a plane of unusual activity. This is peculiarly notable in the case of steel and iron. As shown by the accompanying graph, there has been a further increase in unfilled orders of the United States Steel Corporation, the figure for June 1 standing at 5,225,000 tons, while pig iron production for May was 2,280,000 tons. Steel ingot production has been equally active and the demand for all classes of steel and iron products has been notable. The oil demand and automobile demand have largely revived, while orders for railway equipment have totaled 85,000 cars to June 15 as against 30,000 for the full year 1921. The activity of the building industry has been commented upon in previous months, and needs no further remark at this point except to say that it still continues on so high a level as to insure continued steel plant activity for a good while to come. This demand in basic industries, such as steel and building material, has brought the proportion of plant capacity operation in many cases as high as 85 per cent and in some even to a higher level.

There has been also a great revival of activity in the nonferrous metals as well as in leather and in various classes of fundamental raw products of industry. While it is never well to place too much emphasis at any one time on sporadic growth in output and while at the present time a somewhat abnormal activity in certain industries has been produced through the expenditure of the proceeds of tax-free bonds issued by states and municipalities, a general survey of the industrial field gives good warrant for the belief that production is now well on its way back toward the normal level. The situation is reflected in the very high and satisfactory level of demand for labor and the corresponding decrease in unemploy-

(*Continued on page* 388)


THE TREND OF MONEY, PRICES AND PRODUCTION
1912 '13 '14 '15 '16 '17 '18 '19 '20 '21 '22
%
TIME MONEY
COM'L PAPER
U.S STEEL
UNFILLED ORDERS
IN MILLIONS OF TONS
CORN PRICES
Dollars per Bushel
NO. 3 YELLOW CORN AT CHICAGO
PRODUCTION OF PIG IRON
IN MILLIONS OF TONS
BRADSTREET'S INDEX OF
COMMODITY PRICES
BALANCE OF FOREIGN TRADE
IN MILLIONS OF DOLLARS
EXCESS EXPORTS
EXCESS IMPORTS
INDEX OF CORPORATION CREDIT IN U.S.
AS SHOWN BY TEN HIGH GRADE R.R. BONDS
PRICE ADVANCES ARE REFLECTED
BY DECLINE IN TREND LINE WHICH
IS BASED ON YIELDS
1918 1919 1920 1921 1922
BANK TRANSACTIONS AS SHOWN BY
DEBITS TO INDIVIDUAL ACCOUNTS
IN BILLIONS OF DOLLARS
VAV

Trade Tendencies

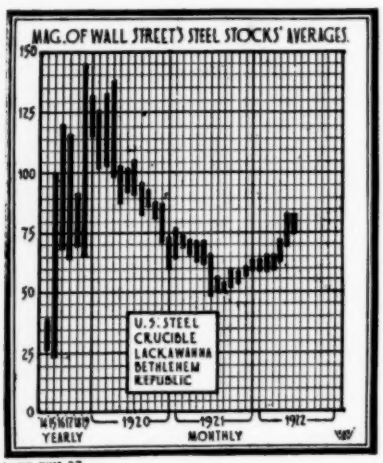
Looks Like a Boom in Business

Practically All Lines Join in Upward Movement — Labor Troubles the Chief Drawback

STEEL

Fundamental Improvement

Aside from the increasing possibility of an acute fuel situation, conditions in the steel industry do not change greatly from week to week. The fundamental nature of the improvement which has taken place



in recent months has dispelled any doubt as to its permanency and, while the volume of new business may develop irregularity from time to time, this would not be surprising because of the steady growth that has already taken place and should not be disturbing in view of the large tonnage of unfilled business now on the books of the steel companies.

Production moves up very gradually under pressure of effecting deliveries, the U. S. Steel Corporation now operating at nearly 77% of capacity and the independents following at about 73%, these gains being made in spite of the coal strike. That the coal situation is not without effect is evident however in the renewed tendency of prices to become accentuated and in the increased uneasiness of the trade with respect to deliveries. Here also, however, changes continue small, average prices of iron and steel products moving up slowly each week.

The coal strike and reduction of freight rates, as of July 1, are factors having a much more pronounced effect on the pig-iron market than on steel. In the first

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1922 High	1922 Low	Last*
Steel (1)	$35.00	$28.00	$35.00
Pig Iron (2)	25.00	17.75	25.00
Copper (3)	0.14	0.12⅝	0.13¾
Petroleum (4)	3.50	3.25	3.50
Coal (5)	4.20	1.75	3.90
Cotton (6)	0.22⅞	0.17	0.21⅞
Wheat (7)	1.46	1.11	1.13
Corn (8)	0.78¾	0.47	0.62
Hogs (9)	0.10⅝	0.08	0.10½
Steers (10)	0.09½	0.08½	0.09⅛
Coffee (11)	0.11⅛	0.09¼	0.10⅞
Rubber (12)	0.20½	0.14¼	0.15¼
Wool (13)	0.57	0.45	0.57
Tobacco (14)	0.20	0.20	0.20
Sugar (15)	0.04⅞	0.03½	0.04⅞
Sugar (16)	0.06¼	0.04¾	0.06¼

* June 29

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

STEEL — Production increases slightly under pressing demand for deliveries. Prices continue upward tendency. Pig iron becoming more active and price rising. Fuel shortage hampers pig iron producers. Outlook favorable.

METALS—Metals less active as buying slackens. Copper prices react fractionally. Prices of non-ferrous metals will probably move higher later on, although less sharply. Fundamental position continues strong.

OIL—No change in the petroleum industry. Gasoline appears stabilized for the present. Other branches quiet.

SUGAR—Prices of both raw and refined sugar again advance as domestic and export demand increase. Subject to probable reactions, the outlook for sugar is promising.

TIRES — Production and demand at record levels but increasing surplus of tires is an unfavorable feature. Output likely to be reduced shortly.

COAL — Current buying light, prices easier. Reserves approaching point at which acute situation is expected to develop.

TOBACCO — Prices practically stabilized. Competition among cigar manufacturers keen but sales are increasing. Conditions generally sound and improving.

SHIPPING—Recovery likely to be postponed for some time. Ocean freight rates sink somewhat lower under effect of intense competition.

SUMMARY—The main trend of business continues upward with demand at record-breaking levels in some industries and irregularity in others. Labor troubles hinder progress. Some lines experiencing difficulty in securing adequate supply of skilled workers. Confidence is returning as fundamental strength of business structure becomes apparent and "buyers' strike" begins to wane.

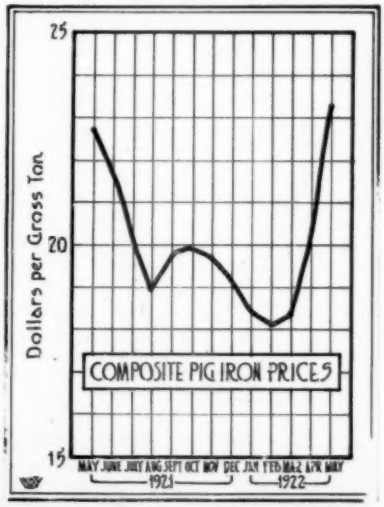
place buyers generally have been waiting the advent of the lower rate schedule before placing orders for large shipments and in the second place producers are handicapped by difficulty in securing coke. Nevertheless, buying is becoming active and prices are distinctly on the up-grade again. The extension of the 10% reduction in freight rates to iron ore and a 50-cent cut in selling prices should prove of material benefit to the pig-iron makers.

With the upward trend of pig iron, foreign interests are again looking to American markets to dispose of their output, a small lot of French iron being offered recently. Unless a shortage of domestic iron develops, however, there is small likelihood of competition being anything more than spasmodic as offerings of foreign iron appear to be more in the nature of incidents than indicative of a permanent condition.

Action of the leading sheet maker in quoting third quarter prices for September and October at the same level as that now prevailing has stabilized the sheet market, but premiums continue to be offered by automobile makers.

One feature of current steel business which is decidedly to the advantage of producers is the tendency to restrict business to legitimate needs; where there is doubt about ability to meet payment the consumer's trade is refused in order to make way for others. In the export trade South America is the most active purchaser while Japan occasionally enters the market.

(*Continued on page* 397)



Bonds

Purchasing An Income Through Non-Callable Bonds

Why Non-Callable Bonds Are Attractive at the Present Time — A List of the Best Securities in This Field

By R. M. MASTERSON

FOR several years past many companies have found it extremely difficult to finance their capital requirements except at unusually high rates of interest. In analyzing the situation we find several clearly-defined and specific periods, each of which played an important part in raising interest rates and in keeping them at the high levels.

Looking back to the summer of 1914, when the world was so severely shaken by the outbreak of the European War, it will be remembered that the commercial life of our country was gripped by a great fear. Outside of a few minor disturbances, the world at large had been at peace for many years. We didn't understand the War; we failed to comprehend what its results might be; and almost everyone had a great dread of what the future might hold in store. Security prices tumbled, and in order to protect people from their folly in dumping their holdings on the market, irrespective of values, the various Stock Exchanges closed and remained closed for a period of nearly six months. New financing of of any description was out of the question and none was done.

Returning Confidence

After the War had continued for several months, however, we began to become more or less accustomed to it. The Allies had made several valiant stands and we gradually came to a realization that Europe, after all, was a good many miles away and that the possibilities of a hostile force invading our shores was, at least for the time being, remote. The Exchanges reopened and trading in securities was resumed, although on a somewhat limited scale, and a liberal degree of uncertainty still prevailed. It was no time to successfully float any new issues.

It was not long after the resumption of active trading in securities that talk of War Orders began to be heard. At first they were being received for guns and ammunition; then for shoes, cloth, automobiles, food products, railroad cars and equipment, ships, steel products, and practically every other commodity or manufactured article. It was at this stage of the game that so many of the "war babies" were born, and first the stock of one company and then of another would have a sensational advance, based on news of huge orders from some foreign Government.

Then the War came to an end. For a brief period security prices tumbled, but came back, when the post-war boom set in, which was to be even greater in its extent than that of the war period.

There was work for everyone and wages were unprecedentedly high. The average working man not only had all that he needed to comfortably take care of himself and family but he had money left over for luxuries and amusement. With an inflation of this kind, interest rates could not be anything but high and sound investments continued available at very attractive rates.

The liquidation of 1920 and 1921 came with little warning. At first a gradual pressure by the banks, causing interest rates to advance still further. Then commodity prices started to tumble, first one then another. Business fell off sharply and liquidation set in in earnest. By the summer of 1921 business was virtually at a standstill and the money that had accumulated through the liquidation had found its way into the banks.

It was at this point that investment security prices were at their lowest levels, yielding seven and eight per cent for many of the really high-grade bonds.

The funds in the banks continued to grow as liquidation continued and business activity decreased, until a huge supply of idle funds was created. Interest rates started downward and the surplus supply of money began to seek employment in investment securities. Gradually market prices of good bonds began to rise, the move gaining momentum until the closing months of 1921 recorded one of the most rapid and extended rises that has ever taken place in the history of bond prices.

Since the close of the year the trend of prices has continued upward and bonds today are selling on a basis where a 6% return on a sound bond looks quite attractive indeed.

Looking Ahead

In spite of the fact that interest rates have been at abnormally high levels for a period of six or seven years, many of the companies that sold securities during that period appreciated the fact that interest rates would not always remain at their high figures. Accordingly, many of these companies protected themselves from being obliged to pay these high interest rates after a return to normal, by inserting callable privileges in the issues sold.

With the rise in security prices and the consequent decrease in interest rates, many issues that were brought out within

NON-CALLABLE BONDS

	Maturity	Not Redeemable Before	Location of Market	Approx. Price	Appx. Yield (%)
Anaconda Copper Secured 6s	Jan. 1, 1929	Maturity	Curb	100	6.00
B'klyn Union G. 1st & Ref. 6s	May 1, 1947	Maturity	Curb	105	5.65
Central Steel First 8s	Nov. 1, 1941	Maturity	Curb	106½	7.50
Cuban Tel. 1st L. & Ref. 7½s	Sept. 1, 1941	Maturity	Curb	106	6.90
Delaware & Hudson Secured 7s	June 1, 1930	Maturity	N. Y. S. E.	109	5.60
Fisk Rubber First 8s	Sept. 1, 1941	Sept. 1, 1931	N. Y. S. E.	106	7.40
Francisco Sugar First 7½s	May 15, 1942	May 15, 1932	N. Y. S. E.	100	7.50
Grand Trunk Ry. Equip. Tr. 6½s	Feb. 1, 1936	Maturity	Curb	105½	5.90
Great Northern Ry. Gen. 7s	July 1, 1936	Maturity	N. Y. S. E.	109½	6.00
Kan. City Gas First 6s, Ser. A	Feb. 1, 1942	Maturity	Curb	95	6.45
Hood Rubber S. F. 7s	Dec. 1, 1936	Dec. 1, 1926	Curb	98½	7.20
Liggett & Myers Tobacco 7s	Oct. 1, 1944	Maturity	N. Y .S. E.	114	5.85
P. Lorillard Deb. 7s	Oct. 1, 1944	Maturity	N. Y. S. E.	113	5.95
N. Y. Ed. 1st L.&R. 6½s, Ser. A	Oct. 1, 1941	Oct. 1, 1936	N. Y. S. E.	109	5.70
N. Y. Telephone Ref. 6s	Oct. 1, 1941	Oct. 1, 1931	N. Y. S. E.	104½	5.60
P'land Ry.L.&P.1st&R.7½s, S.A.	May 1, 1946	May 1, 1931	N. Y. S. E.	104	7.10
South Porto Rico Sugar 1st 7s	Dec. 1, 1941	Dec. 1, 1930	N. Y. S. E.	97½	7.25
Standard Oil N. Y. Deb. 6½s	May 1, 1933	May 1, 1928	Curb	107½	5.60
United States Rubber 7½s	Aug. 1, 1930	Maturity	N. Y. S. E.	108¼	6.20
Vacuum Oil 7s	April 1, 1936	April 1, 1926	Curb	107	6.25

the past several years are now selling at prices equal to, and in some cases above, their redemption prices. Bonds need advance but a little further when they will reach a point where it will be profitable for many companies to call their outstanding issues and refund them with securities bearing a much lower interest rate.

In purchasing those issues that do not have a fairly wide margin between the price paid and the callable price, an investor assumes a risk of having his holdings redeemed, and if a further advance in prices, generally, has taken place in the meanwhile, he will be up against the difficulty (or perhaps impossibility) of reinvesting the funds received in an equally sound bond at an equally attractive yield.

Non-Callable Bonds

An investor may protect his holdings against their being called by switching, *before it is too late*, into bonds that are non-callable or into the low coupon rate bonds selling at a substantial discount.

The non-callable feature of a low-coupon rate bond selling at a discount is relatively unimportant. Take the case of a 4% issue, for example, selling at about 75. If this bond were callable at 100 and were to be redeemed, the holder would receive a profit of 25 points, which would thoroughly compensate him and enable him to purchase another issue at a much higher price and still obtain the same return without putting up any additional money.

In the high coupon rate bonds, however, the story is a different one. Assume that an investor purchased a 7% security at 102, which was redeemable at, say, 105. If prices were to rise to a point where bonds of a similar character, but non-callable, were worth, say, 115, it would be impossible for the investor to reinvest his money in as good an issue at as an attractive a basis, if the bonds were called for payment

A Suggestion

It would be well for readers of this Magazine who are holding high coupon rate bonds that are now selling at or near their redemption prices, to go over their lists with a view to making some switches into non-callable issues before it is too late.

A list has been prepared to accompany this article showing some of the better grade and more active bonds of high-coupon rates that are non-callable. The list is not intended to be exhaustive but merely offers some suggestions in good bonds of this character that have a fairly active market on either the big Exchange or the Curb. No attempt was made to include those non-callable bonds bearing interest at the rate of three, four or five per cent, of which there are a large number. It will also be noticed that some of the issues on the list are not redeemable before maturity while others cannot be called before a certain stipulated time.

Railroad Bonds

There are quite a number of railroad bonds carrying 6% and 6½%, issued during the past few years, which are non-callable, but they have not been included in the list for the reason that they are selling at comparatively low yields. The three rail issues that are included in the list, namely: Delaware & Hudson 7s yielding about 5.60%, Grand Trunk Equipment 6½s yielding 5.90, and Great Northern 7s on a 6% basis are good bonds at attractive levels for rails.

The Great Northern 7s look quite cheap on a 6% basis. They are a strong issue, covered by a general mortgage on the Company's properties. Following the bonds there is outstanding about $250,000,000 so-called "Preferred" stock on which dividends (although non-cumulative) have been paid at the rate of 7% since 1899. In March of this year the Company did not declare the quarterly payment of 1¾% which regularly fell due April 1st, the Company announcing that it intended putting the stock on a semi-annual basis instead of quarterly. At the time, many people believed that this was a move on the part of the management to reduce the dividend, but the recent declaration of a semi-annual disbursement of 3½% appears to assure the continuance of the 7% rate. Earnings are showing a decided improvement from a year ago and the General Mortgage 7s can be looked upon as absolutely safe.

The Grand Trunk Equipment 6½s have been analyzed in previous issues of the MAGAZINE and they are still attractive at present quotations.

Public Utility Issues

Among the Public Utilities will be found three exceptionally high-grade issues, namely, Brooklyn Union Gas Company 1st and Refunding 6s of 1947, N. Y. Edison 1st Lien & Refunding 6½s and the New York Telephone Company Refunding 6s. These three bonds are all selling at or better than a 5.60 basis. The Brooklyn Union 6s are particularly attractive, owing to their long duration (25 years), and the bonds cannot be called until maturity. Brooklyn Union several months ago received a favorable decision from the Supreme Court of the United States, setting aside the 80-cent gas law of New York State and permitting the company to charge a rate that would insure it an adequate return on its invested capital. This decision definitely assures the Company of earnings sufficient to pay all fixed charges and a reasonable dividend on its stock. Recently the stock of the Company resumed dividend payments at the rate of 8% per annum, after having discontinued disbursements for a period of about three years.

The New York Edison 6½s are non-redeemable for a period of fifteen years. The Company supplies the entire Borough of Manhattan and a large part of the Bronx with electricity and is a big earner. The Company is owned by the Consolidated Gas Company of New York, which likewise obtained a favorable decision from the Supreme Court with respect to rates, as in the case of Brooklyn Union.

N. Y. Telephone Ref. 6s need no comment.

The remaining two Public Utility issues on the list, Kansas City Gas First 6s and Portland Railway Light & Power First & Refunding 7½s, although not so well known as the other issues mentioned, are excellent bonds and offer a very substantial yield.

Industrials

Included among the Industrials are two Tobacco issues, Liggett & Myers 7s and P. Lorrilard 7s, each maturing Oct. 1, 1944 and non-redeemable before that date. These issues are both selling at practically a 6% yield and both Companies are very substantial earners and show large asset values behind the bonds.

The Fisk Rubber 8s, which may not be redeemed before Sept. 1, 1931, may be obtained at the present time on a 7.40% basis. The Bonds are a closed First Mortgage on all the Company's properties, which have a value of over 350% of the outstanding First 8s. The Bonds may be called on or after Sept. 1, 1931, but the call price is 117½ until Sept. 1, 1936 and 112½ thereafter. A semi-annual Sinking Fund is provided, sufficient to purchase the entire issue, if obtainable, at 110 and interest, so that a holder is assured of at least obtaining that price for his bonds.

Central Steel First 8s, non-redeemable before maturity in 1941, also afford a sound investment at a high yield. The total issue is limited to $5,000,000 and is a First (closed) Mortgage on the Company's properties, valued at over $16,000,000. Total net assets as of August 31, 1921, less current liabilities, reserves, etc., aggregated over $4,000 behind each $1,000 Bond. The general improvement in the steel industry that has taken place over the past few months has greatly strengthened the position of these bonds.

Other industrial bonds on the list will be familiar to many of the readers of this Magazine, and they will recognize many sound bonds that are non-callable and still obtainable at fairly attractive prices.

Conclusion

Investors desirous of placing their funds in securities which cannot be called except after a considerable interval of time, will do well to consider the non-callable issues. Such investment, where the issues are sound, offers an excellent opportunity for the securing of a comparatively high rate of interest over a period of years. As expressed above, investors in need of *permanent* investment should not consider short-term issues or issues which may be called in at an early date. This would involve re-investment, and it might occur, with interest rates declining, that re-investment could not be made except at the sacrifice of yield.

Those who wish to purchase for themselves an annual income should especially consider these issues. It is a safe way of investing, where the bonds are thoroughly secured, and will give the investor a satisfactory return on his money for a considerable number of years. Bonds of the longest-maturity are particularly recommended to those who are anxious to secure an income for themselves or their dependents.

BOND MARKET FIRM

After Period of Reaction, Bonds Generally Recover and Some Go Into New High Territory

THE tone of the bond market during the past two weeks generally was firm. Trading, however, continued rather sluggish, the uncertainty injected into the situation by the comparatively reactionary trend of securities in June still exerting its effect.

The cut in rediscount rates of the New York Federal Reserve bank to 4% had a favorable effect in building up sentiment, it being generally accepted that the action of the Bank was an official acknowledgment of the easy condition of the money market.

With railroad shares in the speculative limelight, railroad bonds, particularly the convertible issues and low-priced bonds, did very well and scored some substantial advances. The gilt-edge rails held their own or were fractionally higher. In this respect, it is apparent that the highest-grade bonds have already to a great extent discounted the cheap money market and are not likely to make great advances from this level in the near future. However, over a long period they should sell higher with lower money rates.

Incidentally, Government bonds seem to show a slackening tendency. This group, however, is steady at close to the highest levels, but the volume of trading in these issues has fallen off perceptibly. Larger institutional buying evidently has fallen off and as this has been the chief factor in the advance in Government issues, outside of the low rate for money itself, it follows that nothing in the way of an extended advance in Liberties can be looked for in the near future.

Sugar Issues

Among issues which showed greater strength than for a long period were the sugar bonds which up to this time have been comparatively neglected. It is generally agreed that this industry now rests on a stable basis and the securities of these companies accordingly deserve a higher credit rating. Very likely the better grade sugar bonds will sell at considerably higher levels in the near future.

Foreign issues were rather irregular, the stongest being the obligations of the United Kingdom whereas French issues were inclined to be heavy.

It is not likely from this time on that bonds will move forward together as a group as they did in the advance from July 1921 to June 1922. For that reason, investors will have to use more discrimination than was required in the earlier period of bond market advance. There are, however, many opportunities remaining for profitable investment in bonds but they must be sought with great care.

Generally speaking, the best opportunities in the bond list are in securities of corporations the status of which has been in doubt up to recently, but which are now showing a definite trend toward improvement. The sugar companies are a good instance of this.

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
	Foreign Governments. BETTER GRADE			
1.	City of Christiania (b) 8s, 1945	108¼	7.25	....
2	Danish Municipal (b) S. K. 8s, 1946	110	7.10	....
3.	City of Zurich (b) 8s, 1945	111½	7.00	....
4	City of Copenhagen (b) 5½s, 1944	91½	6.20	....
5.	Kingdom of Sweden 6s, 1939	102	5.80	....
6.	Argentine (c) 5s, 1945	84¼	6.30	....
7.	U. K. of Gr. Britain & Ireland (c) 5½s, 1937	103¼	5.20	....
8.	Dominion of Canada (c) 5s, 1931	97¼	5.40	....
	MORE SPECULATIVE			
1.	Kingdom of Belgium (a) 6s, 1925	103¼	5.20	....
2.	Kingdom of Italy (d) 3½s, 1925	96	6.00	....
3.	Republic of Chile (b) 8s, 1941	104	7.60	....
4.	Sao Paulo (b) 8s, 1936	101¾	7.80	....
5.	U. S. of Brazil 8s, 1941	104⅞	7.50	....
	Railroads. GILT EDGE.			
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	93⅞	6.90	.89‡
2.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	87¼	5.20	2.20
3.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	90	4.75	1.65
4.	Southern Pacific (b) 1st Ref. 4s, 1955	88½	4.70	1.65
5.	Chic. Burl. & Quincy (a) Genl. Mtg. 4s, 1958	90½	4.55	2.40
6.	Union Pacific (b) 1st Mtg. & L. G. 4s, 1947	93½	4.40	2.65
7.	N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	88¾	5.10	2.35
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1952	89	4.75	1.55
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	92	4.95	2.20
10.	West Shore (a) 1st Mtg. 4s, 2361	82¾	4.90	**
11.	Norfolk & Western (c) Cons. 4s, 1996	91	4.40	3.95
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	107½	4.62	1.40
13.	Atchison (b) Genl. Mtg. 4s, 1995	90¼	4.45	3.00
14.	Chic., R. I. & Pacific (a) Genl. 4s, 1988	82⅜	4.88	1.00
15.	New York Central Genl. Mtg. 3½s, 1997	77⅛	4.55	1.85
	Industrials.			
1.	Armour & Co. (a) R. E. 4½s, 1939	89½	5.50	†
2.	General Electric (b) Deb. 5s, 1952	100⅛	4.95	6.75
3.	International Paper (a) Conv. 5s, 1947	87¼	6.00	5.55
4.	Indiana Steel (a) 5s, 1952	99⅞	5.00	16.70
5.	Baldwin Loco. (a) 5s, 1940	100½	5.00	**
6.	National Tube (a) 5s, 1952	100	5.00	**
7.	Corn Products (a) 5s, 1934	99¼	5.10	60.70
8.	U. S. Steel (a) 5s, 1963	103	4.80	8.70
9.	Liggett & Myers (aa) Deb. 5s, 1951	96½	5.25	4.65
	Public Utilities.			
1.	Duquesne Light (b) 6s, 1949	102⅞	5.80	3.40
2.	Amer. Tel. & Tel. (c) 5s, 1946	97¼	5.20	4.80
3.	Philadelphia Co. 1st (a) 6s, 1944	97¼	6.25	
4.	N. Y. Telephone (b) 4½s, 1939	94½	5.00	**
5.	Montana Power (c) 5s, 1943	96½	5.30	2.90
6.	Cal. Gas & Electric (a) 5s, 1937	95¾	5.40	4.15
7.	N. Y. G., E. L., H. & P. (a) 5s, 1948	99¼	5.05	2.10
8.	Pacific Tel. & Tel. (a) 5s, 1937	97	5.30	1.75
	Railroads. MIDDLE GRADE.			
1.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	81	5.37	0.80
2.	St. Louis-San Fran. (a) Prior Lien 4s, 1950	71½	6.12	1.00
3.	Missouri, Kansas & Texas Prior Lien 5s, 1962	81⅞	6.25	....
4.	Ches. & Ohio (b) Conv. 5s, 1946	93¼	5.50	1.55
5.	Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931	89	6.10	2.40
6.	Pere Marquette (c) 1st Mtg. 5s, 1956	96	5.25	2.05
7.	Southern Pacific (b) Col. Trust 4s, 1949	86	4.95	2.40
8.	Kansas City Southern (a) 1st Mtg. 3s, 1950	70	5.00	1.70
9.	Illinois Central (b) Col. Trust 4s, 1952	82¼	5.12	2.25
10.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	78	5.20	2.00
11.	Norfolk & Western (a) Conv. 6s, 1929	107⅞	4.70	3.95
12.	Atchison (a) Conv. 4s, 1960	98¼	4.10	
	Industrials.			
1.	Wilson & Co. (a) 1st 6s, 1941	97	6.25	2.10
2.	Comp. Tab. & Recording (b) 6s, 1941	96	6.27	5.45
3.	Adams Express (b) 4s, 1948	76	5.80	2.60
4.	Int. Merc. Marine (b) 6s, 1941	97	6.25	5.15
5.	Lackawanna Steel (c) 5s, 1950	89¼	5.80	6.90
6.	U. S. Rubber (c) 5s, 1947	89	5.85	2.35
7.	Amer. Smelting & Refining (c) 8s, 1947	92	5.60	5.00
8.	Goodyear Tire (c) 8s, 1941	114¾	6.62	9.55
	Public Utilities.			
1.	Public Service Corpn. 5s, 1959	84½	6.05	....
2.	Detroit Edison (c) Ref. 5s, 1940	94¼	5.50	2.80
3.	Brooklyn Union Gas (a) 5s, 1945	96	5.36	*1.35
4.	Northern States Power (b) 5s, 1941	91½	5.75	1.80
5.	Brooklyn Edison (c) 5s, 1949	94¾	5.37	2.20
6.	Utah Power & Light (a) 5s, 1944	91	5.75	1.80
7.	Cumberland Tel. & Tel. (b) 5s, 1937	93½	5.62	1.70
	Railroads. SPECULATIVE.			
1.	Western Maryland (a) 1st Mtg. 4s, 1952	63⅞	6.88	.70
2.	Iowa Central (a) 1st Mtg. 5s, 1938	79	7.25	....
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	73	8.00	2.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	78⅛	7.80	*1.90
5.	Mo., Kansas & Texas (c) Adj. Mtg. 5s, 1967	56	9.10	....
6.	Southern Railway (a) Genl. Mtg. 4s, 1956	66½	6.40	1.85
7.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	63½	6.40	.90
8.	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	88	6.20	1.40
9.	Minneapolis & St. Louis (a) Cons. Mtg. 5s, 1934	80	7.00	.50
10.	Denver & Rio Grande 1st Ref. 5s, 1955	49	10.60	....
	Industrials.			
1.	Chile Copper (b) 6s, 1932	90½	7.30	3.80
2.	Va.-Carolina Chemical (c) 7½s, 1932	105½	6.75	2.75
3.	American Writing Paper (a) 6s, 1939	86⅛	7.45	1.90
4.	American Cotton Oil (a) 5s, 1931	90¾	6.37	3.15
5.	Cuba Cane Sugar (c) 7s, 1930	85	9.75	....
	Public Utilities.			
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	82½	6.20	*1.60
2.	Intr. Rapid Transit (a) 5s, 1966	68	7.50	1.60
3.	Third Avenue (b) Refg. 4s, 1960	64	6.60	*1.20
4.	Va. Railway & Power (a) 5s, 1934	79	7.70	....

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500. (d) Lowest denomination, $50
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.
(x) This issue was created on May 1, 1921.
† This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920.
* Number of times over interest on these bonds was earned.
** Earnings are not reported separately.
‡ This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years. Interest on this issue was fully covered.

A Short Talk About Bonds

What They Are—When They Offer the Best Investment Opportunities — How to Select Bonds

By W. M. GEOFFREY

(1) What is a bond?

A bond is a form of corporate security which differs from other forms in the following respects:

(1) It is generally issued for the purpose of obtaining funds to be used for the performance of a definite and specific purpose.

(2) It bears a fixed interest rate.

(3) It enjoys a prior claim upon earnings of a going concern. It shares first in the proceeds of liquidation.

(4) It "matures" at a certain fixed date, on, or before, which time it must be redeemed at its face or par value or at some other stated value.

(5) It is issued *against* specific security, either in the form of collateral or property with the exception of "debentures," which are often merely a promise to pay.

(2) How many classes of bonds are there?

More than it is necessary or worth while to tabulate here.

But there are a certain few *general* classifications which may be cited:

(1) Government
(2) State
(3) Municipal
(4) Corporation:
  a—Mortgage
  b—Collateral Trust
  c—Debenture
  d—Equipment trust.

(3) How do the first three classes above compare with the fourth in respect of safety, income return, etc.?

The first three classes enjoy, as classes, considerably higher rating than corporation bonds. One explanation is that Governments, States and Municipalities have an almost unlimited tax power to assure interest payments, whereas the earnings of individual corporations measure the safety element of corporation bonds. But a more important factor benefiting the Municipal bond is the fact that it is tax exempt.

As will be explained later, the fact that the first three classes, as classes, enjoy a higher rating than the last class results in their yielding a lower income return.

(4) When should an investor buy bonds?

The ideal time to buy bonds is during such a period as that witnessed around the latter part of 1919 and well into 1920. At that time, money was in very meagre supply. Legitimate industry, in order to secure funds, had to compete with a vast crop of mushroom concerns which were profiting from the reckless extravagances of a war-mad people. It was a case of "the highest bidder gets the money," and as a result interest rates were forced up and up and up—from a normal average level of about 4½% to well above 8% for the best business paper, and much higher for some corporation bonds.

Naturally, old bond issues settled into line with the new ones under the conditions outlined. The lower the price at which new bond issues were offered, the lower the price of old and established issues fell.

Logic and history taught many persons then that this situation could not long continue. Excessive wages, outlandish retail prices, inflated buying—all the factors that made the situation abnormal in the extreme, were bound to subside in due course. With them would disappear the money shortage; and the final result was bound to be a recovery in corporation credit, a corresponding decline in interest rates, and a recovery in bond prices.

(5) What are the elementary, fundamental perquisites of a "good" corporation bond?

Before answering, let it be said that this is a very pertinent question. It is pertinent because NOT ALL BONDS ARE GOOD. In fact, it would be possible to name a number of bonds today which are speculative in the extreme. (Witness the Interboro-Metropolitan income 4½s, now selling around 12½ cents on the dollar, their future shrouded in uncertainty, and no interest being paid to holders.)

Other things being equal, the earmarks of a "good" bond are:

(1) High character security.
(2) Financially sound corporation.
(3) Strong and experienced management.
(4) Basic and necessary product.
(5) Good earnings record.

(6) What are the earmarks of a "weak" bond?

The reverse of the above five characteristics.

An easy way to identify a "weak" bond is by a high income yield: Suppose two companies, "A" and "H," in the same line of business, have similar issues of mortgage bonds outstanding against them. Suppose A's bond offer a "yield" of 8½%, while B's bonds offer only 4.75%. Other things being equal, it may be taken for granted that there is some element of weakness in A's position which does not exist in B's; and that, therefore, the buyer of the higher-yield bond takes a proportionately greater chance.

(7) What does "yield" mean?

As applied to bonds, it is generally taken to refer to: The total amount, expressed in per cent per annum of the original cost which a buyer of a given bond will receive in the form of enhanced principal plus total interest during the life of the bond.

Suppose a corporation sells at 80 a bond having 20 years to run, bearing 5% interest. When these bonds mature at the end of 20 years, they must, of course, be paid off in full. Hence, the investor who buys upon issuance and holds until maturity will not only receive 5% interest each year, but, at the time of redemption, he will be paid $1,000 apiece for bonds that he bought at $800.

In connection with what has gone before, it is worth noting that bond issues below par (as described above) impose an obligation upon the issuing corporation which is *additional* to the interest-paying obligation. Thus, for the 20-year bond described, after the whole period is completed and the bond redeemed, it will be seen that the corporation has paid an average of 5% a year in straight interest and of about 1% a year additional, on an average, to take care of principal enhancement.

That is why a 5% bond may often be said to "yield" 6% or even more.

(8) Should bonds be bought today?

Not indiscriminately, any more than at any other time. But presupposing the Three C's of successful investing—Caution, Conservatism and Commonsense—there are many features of the present situation which make bond buying desirable. Not the least of these is the fact that money continues in ample supply, the country's business organism seems established on a sound basis, and the tendency is toward development rather than retrenchment.

(9) If you were a business man, and had a few thousand dollars to invest in bonds, what issues would you select?

For myself, I should purchase first some International Mercantile Marine 6s, 1941, which offer a yield of better than 6.60%—an unusually good yield—although the company is rich in cash, has proved its ability to earn its interest many times over and has prospects of a slowly improving business.

Then I would buy some Montana Power 5s of 1943—an issue that has long been a favorite of mine, due to the commanding position of the company in the territory it serves, the essential nature of its product and the stability of its earning power. These bonds offer a yield of about 5.30%.

To jack up the interest I received from my entire investment, I should buy some Cuba Cane Sugar 7s of 1930, which will return more than 9% at current prices. I would buy this speculative bond because, although the fortunes of the Cuba Cane Co. would have to be watched, the chances are strongly in favor of its ultimate rehabilitation.

Inquiries on New Security Offerings

Inquiries on Other Securities Will Be Found in Their Respective Departments

WEST PENN DEBENTURES

Yield 6.75%

Would appreciate your opinion of West Penn Co. 6% debentures recently offered by Halsey Stuart & Co. as a short term investment?—J. K., Chicago, Ill.

West Penn Co. (name changed June 21 to West Penn Traction & Water Power Co.) $2,500,000 6% debentures, due 1925, are a direct obligation of the company and constitute its sole funded debt. For the year ended April 30, 1922, consolidated net income of this company and its subsidiaries was $5,845,316. Interest charges and preferred dividends of subsidiary companies totaled $3,133,412, leaving a balance of $2,711,904, as against interest requirements on this issue of only $150,000. These debentures have, in our opinion, ample security in view of the earning power of the company, and we regard them at the offered price of 98 to yield 6.75%, an attractive investment.

KANSAS CITY ELEC. POWER 6s

Yield 6.3%

Will be pleased to receive your opinion of Kansas City Electric Power 6% bonds recently offered at 97 to yield 6.3%.—F. G., West End, N. J.

Kansas City Electric Power Co. 1st mortgage $3,000,000 6% bonds are secured by a first mortgage on entire property and pledge of stocks of subsidiary companies. The value of the properties is in excess of the funded debt, according to report by Day & Zimmerman, Inc., engineers. For 12 months ended April 30, 1922, earnings applicable to interest on these bonds was $467,479 as against interest requirements of $180,000. While these bonds can be regarded as a fairly good public utility investment, we would prefer the Columbus Electric & Power 6s described on this page, as the yield is about the same and we regard them as being in a somewhat better position.

BEAVER PRODUCTS CO. 7½s

Another Bond Suggested

I am considering the purchase of a few bonds of the Beaver Products Co., offered at par to yield 7 1/2%. Do you consider these an attractive purchase? Is there anything else you care to suggest instead that would yield me 7% or better?—H. J., Washington, D. C.

Beaver Products Co. $3,000,000 1st and refunding 7½s, due 1942, are secured by a first mortgage subject to $868,250 prior liens upon all the company's fixed assets in the United States, appraised at $8,850,555 and by collateral deposit of 94% of the capital stock of the Canadian holding company whose properties are appraised at $4,458,763, and have no mortgage debt. For the five-year period ended December 31, 1921, average annual earnings were 3 1-3 times the interest on present funded debt. In 1921, however, due to unusually adverse conditions, the company showed a loss of $2,363,915. This company is one of the most important producers of building material, ranking first in manufacture of fibre wallboard, second in gypsum products and also does a large business in roofings. Net current assets, after giving effect to this issue were $4,741,990. These bonds have large security behind them and will probably work out very well. We would prefer, however, Sinclair Consolidated 1st lien collateral 7s, selling on the New York Stock Exchange at 98 to yield 7.2% as we believe the security to be still larger and you would be assured of a good market for the bonds at all times.

NEW YORK TELEPHONE PREFERRED

Attractive Investment Opportunity

The New York Telephone Co. has offered me the right to subscribe to 20 shares of its 6 1/2% preferred stock. Do you consider this a desirable investment? Could I dispose of it if necessary?—F. G. C., New York City.

In our opinion the 6½% cumulative preferred stock offered by the New York Telephone Co. to its customers is a very attractive investment opportunity. In 1921 the net income available for dividends was $13,244,000, as against only $1,626,000 necessary to pay the dividend on the preferred stock to be issued. Of course, there is always the possibility of reduction in rates reducing income somewhat, but the margin of safety for preferred stockholders is so large that any reduction that might take place would have practically no effect on the investment standing of the preferred. A 6½% return on as high a grade security as this is very liberal, and we have no doubt that if you purchase the stock that you would be able to dispose of it at any time at a higher price than par at which it is offered.

COLUMBUS ELECTRIC & POWER 6s

Good Bond

Columbus Electric & Power 1st and refunding 6s, due 1947, offered at 97, to yield 6.25%. look like an attractive investment to me, but before purchasing any desired to have your valued opinion.—F. S. D., Brockton, Mass.

This bond is secured by a first and refunding mortgage subject only to $3,625,000 prior liens. Present issue is $1,500,000 Series A authorized issue is not limited in amount but subsequent series can only be issued for refunding purposes or when net earnings are at rate of 1¾ times bond interest. Annual interest requirements on bonded debt, including this issue, are $271,250, and in the past six years net earnings have never dropped below $530,000 and in 1921 were $1,009,229. The territory served has shown a healthy growth, being the second largest cotton manufacturing center in the South. This bond is entitled to a good rating and makes an attractive investment at the price.

CHIPPEWA POWER CO. 6s

Yield 6.12

How do you regard the Chippewa Power Co. 1st mortgage 6% bonds recently offered by Paine, Weber & Co.?—R. F. K., Allentown, Pa.

Chippewa Power Co. 1st mortgage $1,800,000 6s due 1947 are secured by a 1st mortgage on property which will have a value of $3,500,000 when hydro-electric development is completed. The Wisconsin-Minnesota Light & Power Co. will operate the new plant under a thirty-year lease paying a rental of $250,000 per annum or nearly 2½ times interest charges. Under the terms of this lease, these rentals will constitute an operating expense of the Wisconsin-Minnesota company and must be provided for before its own fixed charges. Net earnings of the latter company for the year ended April 30, 1922, were $1,308,234. This is a high-grade bond and is attractive at the offered price of 98½ to yield 6.12%. They are callable 1932 at 107½ less ½ of 1% each year to maturity.

KINGDOM OF THE SERBS, CROATS & SLOVENES 8s

Yield 8.40

I am taking advantage of your offer to rate new securities and desire your opinion of the recent issue of $25,000,000 Yugo-Slavia 8% bonds as a business man's investment. The yield of 8.40% looks very attractive, but, of course, if the risk is too great, I will pass them up.—G. G., Greenwich, Conn.

Kingdom of the Serbs, Croats & Slovenes (Jugo-Slavia) 8% external bonds due 1962 are a direct obligation of the Kingdom, which grants as special security a first charge upon all the net receipts of the state monopolies and the customs of the Kingdom, subject, as to the receipts serving as security for the debt of the pre-war kingdoms of Serbia and Montenegro, to the service of such debt. In addition these bonds are a first charge upon the total gross receipts of all the state railways which the Government declares are free from any mortgage or other encumbrance and of the railroad from Belgrade to the Adriatic Sea to be constructed. The revenue from this security, after providing for the prior liens, was, in 1921, equal to thirteen times annual interest on present issue. Of course, in purchasing securities of a country such as this, whose credit does not stand very high, a certain amount of risk is assumed. The security of the bonds, however, in our opinion, is sufficient to classify them as an attractive business man's investment suitable for a portion of his funds.

Will B.&O. Resume Common Dividend This Year?

Road Is Enjoying Its Best Year in a Decade —Excellent Prospects Ahead for the Stock

By ARTHUR J. NEUMARK

BALTIMORE & OHIO certainly stands foremost among those roads which were hardest hit during the past five years and which now give indications of a substantial come-back. As a group, only the northwestern carriers encountered a sharper decline in operating revenues, but no road has shown a proportionately greater recovery in earnings since the disastrous year of 1920. Always rated among the most substantial and prosperous roads in the country, the status of the road changed with lightning rapidity beginning with the year 1917. Stockholders were quickly confronted with the far from pleasant sight of seeing the value of their investment depreciating daily. From a sound dividend-paying security selling at well over $100 a share in the period from 1900 to 1913, B. & O. common entered the ranks of the non-dividend payers selling below $30 a share in 1919, a depreciation of over 72% in six years.

Readers of THE MAGAZINE OF WALL STREET are familiar, in a general way, with the causes of depreciated railroad stock values, so the writer will touch very briefly on this subject as it applied to B. & O. in its fullest measure, and then turn to the vital questions of the present status of the road and its chances for recovery of its old-time prestige.

Government Diversion of Traffic

Baltimore & Ohio is primarily a bituminous coal carrier, but at the start of the World War the management was attempting to increase the haul of the more lucrative traffic such as manufactured articles and agricultural products as much as possible. The effect of this policy is reflected in the following comparative increases in tonnage of these various commodities from 1914 to 1916, or up to the time of Federal operation.

TONNAGE FIGURES
(000 omitted)

	1916	1914	(%) Increase
Bituminous coal.....	33,615	32,270	4.1
Manuf'd articles.....	16,254	11,020	47.5
Agricul. products....	4,745	3,522	34.7
Miscell. products.....	4,573	2,846	60.7

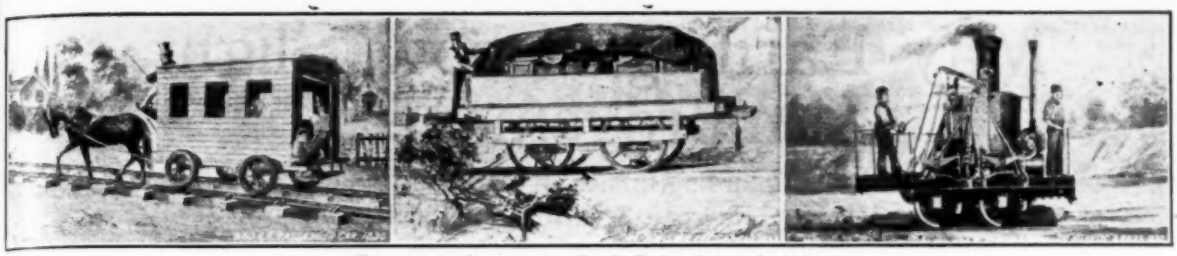
In 1916 the percentage of mine products to the total tonnage carried was 61.6%. By 1918 this figure had jumped to 64.5%. Conversely, manufactured articles totaled 19.1% of the entire traffic in 1916 and but 16.5% in 1918. Agricultural products dropped from 5.8% to 4.8%. In regard to these changes in the traffic hauled during the first year of Government control, President Willard had the following to say:

"To reduce the distance coal was hauled there was a zoning of the various coal regions and because of the urgent demand for war industry purposes of coal from the West Virginia, Pennsylvania and Ohio coal districts served by the B. & O., **the Director General ordered that the coal traffic be developed and preferred even to the exclusion of traffic of a higher rate class normally tributary to the system.**

"As a result the traffic density of about one-fourth of the mileage was greatly increased, especially that part . . . where connection was made for Central Pennsylvania, New York and New England, but as a result on the larger portion of the mileage . . . and where business can be handled most economically, **the traffic density was greatly reduced, much of the tonnage naturally tributary to the lines being diverted to other connections.**"

Coal was probably the most carefully regulated commodity during the war period. When the Government took over the railroads, competitive considerations were ignored and an attempt was made to allocate to each road that traffic which it could handle with greatest facility and transport by the shortest routes. Under private management such conditions need not necessarily exist and do not exist in the case of Baltimore & Ohio. Between New Castle and Connellsville, Pa., the B. & O. parallels the Pittsburgh & Lake Erie of the New York Central. Under competitive conditions the B. & O. hauled coal and other freight traffic over its New Castle-Pittsburgh-Connellsville Line, but less economically than it could be hauled by the New York Central subsidiary. This traffic was diverted to the Pittsburgh & Lake Erie.





Transportation on the B. & O. in the early '30s

These conditions continued to exist throughout a good part of the year 1920, but for the past year and a half B. & O. has been slowly but surely getting back all traffic diverted during Government control, until at the present time it can be stated that the road is as strongly intrenched in the different industrial centers as ever.

The Effect of Freight Rate and Wage Adjustments

The above conditions may be cited as being largely responsible for the relatively poorer operating results of the B. & O. system, but the major causes for the precipitate decline in net earnings while gross was continually increasing, can be set forth in one sentence. A consistently increasing payroll and increasing costs of fuel and material and supplies. The accompanying table on rate and wage increases shows just how the various changes in the rate and wage structure, since the passing of the Adamson Eight Hour Law in 1917, affected the Baltimore & Ohio system.

The effect of the wage increases from 1917 to 1920 was to increase the operating expenses of the road 142.5% above the 1916 level and the effect of the freight rate increases, to add but 38% to gross revenues in the same period. It was a constant and continuous problem of disproportionate operating expenses, resulting in a wiping out of about 80% of the normal net operating income.

The Period of Recovery

Beginning with 1921, Baltimore & Ohio's net earnings showed rapid improvement, first as a result of enforced economies, then because of a gradual turn in the trend of operating expenses. The writer estimates that the savings to B. & O. for the year 1921, from the wage cut of July, 1921, and from reduced cost of coal and material and supplies, amounted to about $14,500,000. Losses through reduced freight rates in this year amounted to about $3,700,000, making a net gain of close to $11,000,000 for the year. As a result of these savings and other economies of operation, B. & O. was able to fully cover its preferred dividend, with a small balance available for the common.

On the basis of the present cost of coal and material and supplies, B. & O. should be able to further reduce operating expenses for the fiscal year beginning July 1, 1922, by about $14,200,000. Wage reductions which took effect at the beginning of this month will result in an annual saving of about $6,000,000, and as the wage cuts of July, 1921, were only reflected in one-half of last year's earnings, this cut will be reflected in the current year's earnings to the extent of probably another $5,000,000, bringing the total savings for the current fiscal year up to $25,200,000. From this must be deducted the freight rate cuts put in effect on July 1. B. & O. will get practically the full brunt of this reduction on a large percentage of its business. Estimating a general cut of 8% on the total gross, the road loses about $12,500,000, on the basis of the 1921 volume of traffic. All of the above calculations have been made on the same basis. The net saving for the current fiscal year, on this basis, would thus amount to $12,700,000, or **the equivalent of over $8 a share on the common.**

BALTIMORE & OHIO
1916 to 1920
(based on 1916 volume of traffic)

Increased Expenses	
Adamson law, 1917	$2,800,000
Other wage inc. 1917	4,200,000
Wage increases, 1918, culminated by Natl. Agree	45,000,000
Labor Board wage inc., 1920	24,000,000
Inc. in cost of material and supplies, 1916 to 1920	19,462,000
Inc. in cost of fuel, 1916 to 1920	16,343,000
Total of above	$111,805,000
Increased Revenues	
Rate inc. of 1917 and 1918	$48,780,000
Rate increase of 1920	41,412,000
Total increases	$90,192,000
Net increase in expenses	$42,108,000

Thus far this year B. & O.'s earnings have been remarkably good. Gross revenue for the first five months was slightly above the corresponding period of 1921, but net operating income totaled $11,913,963, compared with $7,309,331 for the same period of 1921. This is at the annual rate of about $12.40 a share on the common, indicating the best year in more than a decade.

Coal traffic was greatly stimulated in February and March in anticipation of the strike, and the record earnings for April and May were made possible by heavy shipments from non-union mines. B. & O. operates in the coal fields of Western Maryland, Southwestern Pennsylvania, Northern West Virginia, Ohio and Indiana. The Ohio and Indiana, and certain parts of the Pennsylvania fields are strongly unionized. The balance are non-union, with the exception of limited parts of West Virginia. The fact that the coal loadings of the B. & O. for the months of April and May, were about 40% below normal, would seem to indicate that about 70% of the road's coal traffic is from unionized mines and about 30% from non-union. In addition to the increased loading from the above non-union fields, B. & O. obtains considerable traffic from its branch lines in the non-union fields of Eastern Kentucky, on which there originates some 3,000,000 tons of coal per annum. This traffic, although passing over other intermediary lines, is routed via and finds its destination largely upon the B. & O. system. An abnormally heavy amount of coal traffic has been received from the Louisville & Nashville, Chesapeake & Ohio and Norfolk & Western lines. These roads operate through non-union fields.

Foothold in New York

In addition to its entry into New York over the Pennsy lines, B. & O. has access into Staten Island from a connection with the Central RR. of N. J. at Cranford, N. J. This line crosses the Arthur Kill River bridge and extends to the road's terminals in Staten Island. B. & O. controls the Staten Island and Staten Island Rapid Transit Railways, and owns yards, docks and piers for the handling and assembling of the traffic for delivery by float and lighter to its own stations and other points in the New York Harbor and also for the handling of export traffic. The road also has extensive yards and coal unloading facilities at Arlington, S. I., capable of handling several million tons per annum. The company has in contemplation improvements of and extensions to its terminals on Staten Island when the traffic at that point justifies. The proposed tunnel connecting Manhattan, through Brooklyn, would greatly accelerate the already promising developments of the Island and would certainly be a big thing for the Baltimore & Ohio RR.

A number of projects are being considered looking to the handling in New York City of the traffic approaching from the west and requiring a crossing of the Harlem River. Nothing definite has been done in this direction to supplement the Pennsylvania tunnel lines, which may in the not distant future reach a measure of maximum saturation.

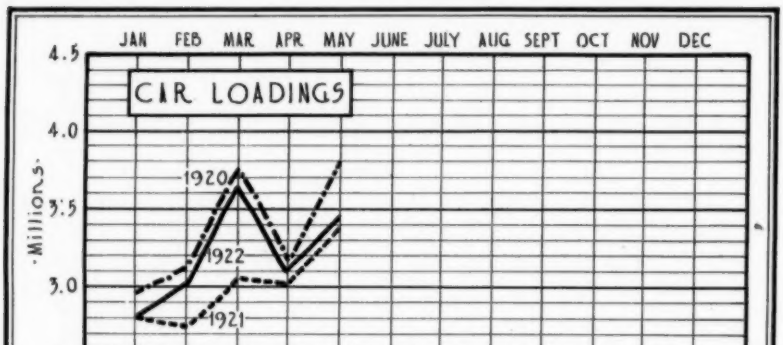
Why a Dividend Will Probably Be Paid This Year

The trend of earnings of B. & O. is unmistakable and should the management so desire dividends could be resumed immediately. That they will be resumed

(*Continued on page 394*)

May Earnings Show Slight Improvement

Coal Strike Still a Retarding Influence—All Other Traffic Continues to Increase—Many Railroad Securities on the Bargain Counter



MAY earnings, on the whole, showed an improvement over the previous month, especially in the case of the non-union coal roads. Car loadings were well in excess of the previous month, including coal loading, which showed an increase of over 20%. The coal strike appears to be on the wane and it is generally expected that the whole matter will be settled in the very near future. With the traffic of all other commodities and merchandise improving every week, this is all the roads need to begin to fully reflect the very much improved railroad situation. Car loading for the week ended June 17th established a record for the year, despite the reduced volume of coal traffic, reaching a total of 860,722 cars.

CLASS I ROADS
(000 omitted)

	Net oper. income	Month's normal earnings to give a 6% return
June	$52,845	$99,073
July	69,485	93,267
August	90,000	105,000
September	87,174	* 113,000
October	105,453	114,400
November	66,198	109,328
December	55,000	91,200
January, 1922	29,530	74,100
February	47,770	68,000
March	83,511	78,000
April	80,271	88,500
*May	55,000	.....

* Estimated.

The previous high mark was for the week ended June 10th. The nearest approach to this showing was made for the week ended March 25th, when 846,035 cars were loaded. This certainly augurs well for June earnings, and barring any unforeseen unfavorable development, this month's earnings should surpass any previous month of this year.

Best Earning Records

Of course, the non-union coal carriers reflected the best earnings for the second successive month. In only one month in the history of the company did Norfolk & Western make the showing it did for May, and that was in August, 1918. **Gross earnings were over 36% in excess of corresponding month of 1921, and net operating income totaled $3,412,741, compared with $871,397 in May, 1921.**

Baltimore & Ohio and Chesapeake & Ohio also reported large balances available for the common. The securities of both of these roads have been very slow in discounting the remarkable showings they have been making thus far this year. The former road is in an exceptionally good position to resume common dividends on at least a 4% annual basis and the latter road is earning over four times its present dividend requirements.

ESTIMATED ANNUAL EARNINGS OF RAILROADS BASED ON FIRST FIVE MONTHS OF 1922

The following table is compiled on the actual average percentage of the first five months' net operating income to the total traffic year for the past ten years.

Road	Net Operating Deficit	% Charges Earned	$ Per Share on Preferred	$ Per Share on Common
Atchison	.....	.....	.....	$3.75
Atlantic Coast Line	.....	.....	.....	18.95
Baltimore & Ohio	.....	.....	.....	12.40
Buffalo, Rochester & Pittsburgh	.....	.....	$4.30	.....
Canadian Pacific	.....	.....	.....	7.00
Carolina, Clinch. & Ohio	.....	.....	.....	5.40
*Central of New Jersey	.....	.....	.....	11.30
Chesapeake & Ohio	.....	.....	.....	17.00
*Chicago & Alton	.....	.....	.....	1.70
Chicago & E. Illinois	.....	.....	.....	1.00
Chicago & Great Western	$134,522	.....	.....	.....
Chicago, Mil. & St. Paul	.....	8	.....	.....
Chicago North Western	.....	.....	.....	3.00
Chicago, R. I. & Pacific	.....	84	.....	.....
Chicago, St. Paul, Minn. & O.	.....	68	.....	.....
Cleve., Cinn., Chic. & St. Louis	.....	.....	.....	31.50
*Colorado & Southern	.....	.....	.....	8.05
Delaware & Hudson	.....	.....	.....	7.05
Delaware, Lackawanna & Western	.....	.....	.....	6.95
*Erie	.....	.....	[9]$0.70	.....
Great Northern	.....	.....	[10]2.45	.....
Illinois Central	.....	.....	.....	14.30
Kansas City So.	.....	.....	.....	2.00
Lake Erie & Western	.....	100	.....	.....
Lehigh Valley	.....	.....	.....	.15
Louisville & Nashville	.....	.....	.....	17.00
*Minn., St. Paul & S. S. Marie	553,107	.....	.....	.....
Minneapolis & St. Louis	.....	25	.....	.....
Missouri, Kansas & Texas	.....	.....	.....	9.70
Missouri Pacific	.....	67	.....	.....
New York Central	.....	.....	.....	14.20
N. Y., Chicago & St. Louis	.....	.....	[2]22.30	.....
N. Y., New Haven & Hartford	.....	81	.....	.....
N. Y., Ontario & Western	.....	.....	.....	.17
Norfolk & Western	.....	.....	.....	17.30
Northern Pacific	.....	73	.....	.....
*Pennsylvania	.....	.....	.....	[1]9.70
Pere Marquette	.....	.....	.....	7.50
*Pittsburgh & W. Va.	.....	.....	.....	3.30
*Reading	.....	.....	.....	6.35
St. Louis, San Francisco	.....	.....	.....	5.95
St. Louis, Southwestern	.....	.....	.....	1.20
Seaboard Air Line	.....	64	.....	.....
Southern Pacific	.....	.....	.....	[8]6.10
Southern Railway	.....	.....	.....	.35
Texas & Pacific	.....	[6]71	.....	.....
Toledo, St. Louis & Western	.....	.....	.....	15.00
Union Pacific	.....	.....	.....	8.65
Virginian	.....	.....	.....	22.40
Wabash	.....	.....	[7]3.65	.....
Western Maryland	.....	.....	[8]5.70	.....
Western Pacific	.....	85	.....	.....
Wheeling & Lake Erie	.....	.....	[4]4.80	.....

[1] On the basis of first four months' earnings. [2] $50 par value. [3] After 5% on the common stock, all classes of stock share equally. [4] Without oil income and after capital adjustments. [5] Including Denver & Rio Grande, and after proposed adjustments. [6] on the 6% 2nd preferred. [7] On the 7% 1st preferred stock. [8] On the preferred A stock, assuming that all of the outstanding preferred B is converted equally into preferred A and common stocks. [9] Exclusive of interest on Income Mortgage bonds. [10] On the 4% 2nd preferred stock. [11] Only class of stock outstanding.

Inquiries on Railroad Securities

Inquiries on Other Securities Will Be Found in Their Respective Departments

NEW HAVEN

Earnings Have Turned Corner

A hundred shares of New York, New Haven & Hartford stock have been in our family for a good many years. For a long time now, as you know, this stock has returned nothing. I feel that this money ought to be put into some security that pays dividends, but in view of the big loss that New Haven stands us I want to select something that, if held for a few years, has a good chance of increasing in value. Can you suggest something or would you advise holding New Haven a little longer? —J. A. S., Meriden, Conn.

New Haven's earnings have apparently turned the corner at last. In both March and April of this year fixed charges were earned, as compared with large deficits in 1921. New Haven has rapidly reduced its ratio of operating expenses to gross to something like normal proportions and therein lies the secret of the change in results. Better earnings, however, cannot be construed as indicating any early resumption of dividends as the road has lost large sums in the past few years and its financial structure and credit is none too strong. All surplus funds will undoubtedly be used for a long time to build up its financial strength. With conditions generally more favorable for the railroads New Haven should continue to do well and the stock has an excellent chance of appreciating further in value. As you feel, however, that you want a return on your investment we do not believe you would be making any mistake by switching into International Combustion Engine selling at 23 and paying $2 per share per annum. Earnings the past four years have averaged $2.75 and in 1921 were $3.50. This company appears to have a growing business which is the sale of automatic stokers and other combustion devices. It is in good financial condition.

NEW YORK CENTRAL

Higher Dividend Rate Anticipated

I have quite a substantial profit in New York Central which I purchased last year. I understand the road is doing well but in view of the good advance the stock has had it might be a good idea to take profits, especially in view of the threatened strike. What is your opinion?—J. A., Shreveport, La.

Considering the capital structure and earning power together of New York Central brings us to the conclusion that with anything like normal conditions for the railroads the dividend on the stock should be increased. For the past ten years stockholders have received a bare 5% and in the seven years since the absorption of the Lake Shore in 1914 earnings have equaled 10%, taking the federal control years on the compensation basis. In addition the company has equities in the earnings of controlled lines that were not paid out in dividends. There is good reason for believing that New York Central in the near future will entirely absorb many of its controlled lines as it did Lake Shore. This will mean larger earnings available for the common stock. A few weeks ago directors declared the regular dividend but it was felt that the dividend might have been increased at that meeting had it not been for the threatened strike. For the four months ended April 30, 1922, earnings were at the rate of 11.25% on the stock. New York Central could easily maintain a 7% dividend on its stock. In our opinion if you desire to hold the stock for the long pull you will ultimately be able to get materially higher prices for it. We do not believe that the strike, if it occurs, will seriously affect the outlook for the stockholders.

NORFOLK & WESTERN

Earnings at Rate of 17%

I am looking for a good railroad stock to purchase with the idea of getting a fair return on the investment and that is likely to be selling at higher prices in a few year's time. I have selected Norfolk & Western but before purchasing it want to get your opinion.—H. M. L., Zanesville, O.

Norfolk & Western is showing excellent earnings at the present time. For the four months ended April 30, 1922, earnings were at the rate of 17% on the stock on the basis that the first four months represents 26.1% of the year's traffic. Of course these earnings must be considered somewhat abnormal as the road has benefited from the coal strike. Norfolk & Western in spite of unfavorable conditions in its territory earned 7.50% on the stock in 1921, which compares with 9.53% in 1920. The company is in excellent financial condition and apparently will not have to do any new financing for some time as it has no maturities of any consequence until 1929. In the past ten years earnings have never dropped below 7% on the stock and have run up as high as 17%. At present price of about 105 we regard the common stock as an attractive investment opportunity and believe that it will appreciate very materially in value if held for the long pull.

SOO LINE

Injunction Against Dividend Payments

I am somewhat concerned over some common stock I hold of the Minneapolis, St. Paul & Sault Ste. Marie Railroad. Earnings I understand are very poor and payment of the recently declared dividend of 2% has been stopped by an injunction. Will you kindly explain the reason for this injunction and also give your opinion as to the advisability of holding on to the common. At these prices it shows me a large loss.—M. T. S., Harrisburg, Pa.

Minneapolis, St. Paul & S. S. M. has as you say shown very poor earnings recently but April report showed a turn for the better. For the four months ended April 30, 1922, there was an operating deficit of $399,000 and in 1921 deficit after fixed charges was $3,472,158 and deficit after dividends $6,118,872. Previous to this, however, the road has shown a good earning power and with conditions generally more favorable for the railroads we are of the opinion that this earning power will return.

"Soo" directors in April declared a semi- annual dividend of 2% on the common stock and 2% on the 7% non-cumulative preferred stock. The directors explain action in reducing preferred dividend on the grounds that the road actually did not earn anything above fixed charges in the period for which the two dividends were declared and that the dividends were paid out of accumulated surplus. This surplus was accumulated in years when the full 7% had been paid on the preferred and hence was a fund on which the preferred stockholders had no claim. Wherefore the directors felt justified in distributing such portion as they saw fit equally between common and preferred stockholders. Preferred stockholders claimed action was contrary to their rights and were granted a temporary injunction against payment of the dividends. Case has since been decided in favor of common stockholders. Believe stock has excellent chance of ultimately working out satisfactorily, but if you desire a stock whose dividend is more secure suggest a switch into Westinghouse Electric selling at about the same price and paying $4. The latter stock also has excellent prospects of appreciating in value.

GULF MOBILE & NORTHERN

Has Good Possibilities

Will you kindly advise me whether you are favorably inclined toward the Gulf, Mobile & Northern common as a speculation and what would you consider a fair price to expect for stock purchased at 16.—B. E. W., Brunswick, Me.

We think well of the speculative possibilities of Gulf Mobile & Northern Railroad common stock from a long-range standpoint. This company's report for April shows gross of $410,491 as against $343,046 in 1921 and net of $99,312 as against $19,597 for last year. The first four months of the current year, gross amounted to $1,427,792 as against $1,214,401, but net operating income aggregated $260,980 as against a deficit of $7,118 for the same period last year. We do not care to predict what will be a fair price for the stock. However, in our opinion, there is every encouragement to continue holding the stock for higher prices.

Industrials

What Is Behind the Advance in Motor Truck Securities?

Present Position and Outlook for the Leading Motor Truck Companies — Has the Industry Really Turned the Corner?

By JOHN MORROW

SINCE the first of this year there has been a noticeable improvement in the demand for motor trucks, and the principal companies engaged in their manufacture are individually reflecting this improvement. While the manufacture of motor trucks is part and parcel of the whole automobile industry, the use of the automobile for commercial purposes is newer in development than the passenger-car end of the industry. It may be that the future of the motor truck is capable of greater relative expansion and diversification than in the case of passenger cars, at least this would seem to be the case when the many uses to which commercial vehicles may be put are considered. In a small way they now compete with the railroads on short hauls, but their most important service probably will be that of feeding traffic to the main steam lines.

There are not many companies whose securities are on the public markets which manufacture motor trucks exclusively. Many of the leading companies combine the production of passenger cars with that of commercial vehicles. In this article, three companies who manufacture motor trucks exclusively, and whose shares are traded in upon the New York Stock Exchange, are discussed, as well as three leading companies who depend upon passenger cars as well as upon motor trucks for income, and whose motor-truck business is an important part of the whole.

MOTOR TRUCK COMPANIES

	Earnings Per Share on Common					Div'ds Paid on Common				
	1917	1918	1919	1920	1921	1917	1918	1919	1920	1921
Mack Trucks	....	...	$11.90	$5.32	def.	..	..	..	*	..
White Motors	11.88	8.38	11.47	4.82	def.	4	4	4	4	4
Republic Motors	....	8.69	4.58	def.	def.	...	..	2	..	..
Packard	†41.2%	42.7%	38.8%	$4.15	def.	‡8%	8%	14%	$1	..
Pierce-Arrow	$11.1	$7.8	$6.7	$3.8	...	$2.50	$6.25	$1.25	..	..
General Motors	§143.7%	¶13.7%	38.6%	ǂ$1.56	def.	10%	12%	12%	∫ 5½%	$1

* Stock dividend of 100% on common paid to common shareholders. † On $100 par. ‡ On $100 par. § On $76(673,300—$100 par stock. ¶ On $147,379,000—$100 par stock. ǂ On 20,563,000 shares.

MACK TRUCKS, INC.

Making Splendid Recovery

From a stock-market standpoint one of the most interesting advances of the year has been that of the securities of Mack Trucks, Inc., which is the renamed International Motor Truck Corporation. From relative market obscurity the stocks of the company, especially the common stock, have come into speculative prominence, the change being due to the remarkable reversal in the company's business since January 1st. Although the year is but half completed, it seems absolutely reasonable to state that the company will, for the whole year, show a comfortable surplus for the common shares.

In the first quarter of 1922, net profits were $255,000 against $4,396 for the same quarter of 1921. While that comparison was exceedingly favorable, the promised showing of the second quarter is almost startling. It is claimed for the company that net earnings in April, the fourth month of the year, were $400,000, and it is expected that the three months of the second quarter will show a net of $1,200,000. In other words, the company is earning at the rate of about $10 a share on the common stock after allowing for dividends upon the first and second preferred stocks. Output is at the rate of 6,000 trucks yearly, a 50% increase over the production of 1921, and a higher outturn for any year except 1920, when 7,000 trucks were produced. It is possible that if the demand for the company's vehicles continues at an accelerated pace, the 1920 record may be broken this year. Mack has a capacity of from 10,000 to 12,000 trucks yearly, so that present output is not pressing facilities and does not suggest the thought of plant expansion with the resultant expenditure of funds.

Mack Trucks has had somewhat of a varied career. The name was changed from International Motor Truck Corporation in March, 1922, and that company succeeded the reorganized International Motor Company in November, 1916. In 1919 the International Motor Truck acquired the Wright Martin Aircraft Corporation, through an exchange of stock. The name was changed to Mack because that is distinctive of the truck which the company makes. For several years the company had a diversified line of models but now is concentrating upon the Mack, and results are beginning to speak for themselves.

The Position of Mack Stocks

It is interesting to note in connection with the business depression of last year that Mack succeeded in making a net profit, even though it was only $127,000 and far below dividend requirements upon the two preferred stocks. Dividends upon the two preferred stocks were instituted in the early part of 1920 and have been regularly paid since then. They are cumulative at the rate of 7%, the first preferred being preferred as to assets and dividends. Both these issues have had substantial advances but are still most attractive. The first preferred is still a little below 90, and the second preferred around 85. These stocks are not yet in the seasoned industrial preferred investment class, but they seem to have a good chance of getting there and are to be recommended.

The common, rising to between 50 and 60, has been busily discounting the improvement in the company's earnings and is approaching a point where dividend possibilities will be begun to be discussed. The shares are not exactly on the bargain counter, and at present there is nothing to indicate early consideration of dividends. Speculatively, however, the stock holds very well and it does not seem too high at 50 or thereabouts.

WHITE MOTOR

Recouping Last Year's Losses

The White Motor Company is one of the best-known manufacturers of motor trucks in the country, and through its energetic sales and advertising campaigns has brought its trucks to the front rank

MOTOR TRUCK COMPANIES

COMPARISON OF CAPITALIZATION

	1917	Present	Change
Mack Trucks	$7,000,000 pfd. 52,626 shs. (no par common)	$16,252,000 pfd. 283,108 shs. (no par common)	Inc. $9,252,000 Inc. 230,282 shs.
White Motors	$16,000,000	$25,000,000	Inc. $9,000,000
Republic Motors	$3,326,000 notes&pf. 100,000 shs. (no par common)	$3,310,389 pfd. and common	.....
Packard	$24,641,000	$36,322,000	Inc. $11,681,000
Pierce Arrow	$10,000,000 pfd. 250,000 shs. (common no par)	$10,000,000 pfd. 250,000 shs. (common no par)	.....
General Motors	$96,550,100	$105,916,000 n.&pfd. 20,550,890 shs. common	.....

of public attention. As good as the product is and as proven as its uses are, White Motor found the going rather rough in 1921. The total loss for the year, including an inventory adjustment of over $2,000,000 and dividends of $2,000,000, was $6,800,000, an amount equal to over 25% upon the $25,000,000 capital stock outstanding. Nevertheless, the company did not suspend dividends, but directors, seeing improvement ahead, stuck to the regular distribution.

The turn in business really occurred in October, 1921, and from that time on orders have been coming in in increasing volume. For example, orders received in April showed an increase of 50% over the same months of 1921, and 20% more trucks were delivered in that month than during the same month last year. If the present rate of sales is maintained, the company should do a business of about 9,000 trucks this year.

On a business of that size, it is altogether reasonable to suppose that the $4 dividend rate will be covered with a margin to spare, and that bank loans will not be a troublesome factor. An interesting point in connection with bank loans is revealed by comparative figures for 1920 and 1921. At the end of 1920 bank loans were $7,200,000 and in that year the company did a large business. At the end of 1921 bank loans were only $3,600,000, a reduction of 50% as compared with the previous year, despite the poor business. These have been cut down by a $1,000,000, and the company's cash position, which stood at $1,346,000 at the end of 1921, has been increased by approximately $1,000,000.

The annual report for 1921 pointed out that the total value of all truck sales for 1921 was 32% of the sales for 1920. The truck sales of White Motor on the same basis were 57% of the 1920 business, and the company's proportion of the entire business increased from 8.6% in 1920 to 15.5% in 1921, an improvement of 6.9% in the relative position. Furthermore, price reductions were made during 1921 which left White prices only slightly above the 1914 level. The instability of business conditions last year added to the smaller demand for trucks. At the present time this instability has largely disappeared, and the more even tenor of business now is a point to be taken into consideration when measuring results of this year with those of a year like 1921.

The Outlook

While to some it would seem as if the directors were not conservative in maintaining dividends in 1921 in the face of the business depression, developments since last Fall apparently have justified the policy, and although it made a substantial recourse to surplus earnings necessary, the position of the company was not seriously weakened.

The sole capitalization is $25,000,000, shares having a par value of $50. There has never been any funded debt, but share capitalization stood at $16,000,000 in 1918, so that the present amount represents an increase of over 50% and, naturally, suggests that earning power must be permanently increased in order for stockholders to receive an adequate return. It is almost superfluous to point out the great increase in the use of motor trucks during the past four or five years, and therefore for a company in the position of White Motor to expand capitalization substantially is not a sign of weakness nor an indication of top-heavy capitalization. The chances favor a permanent increase in earning power sufficiently large to show adequate surpluses upon shares in years of normally active business.

Ordinarily, the stock is not active and does not move over a wide range. At the present time, selling around 50 and paying dividends at the rate of $4 a year, it looks to be behind the market for the other motors. Perhaps one reason for this is the fact that the shares seem to lack positive market sponsorship and usually are allowed to drift more or less for themselves. There have been no hints of new financing; the White truck has proved its value; business is certainly on the increase, and from a semi-speculative standpoint White Motor stock looks absolutely attractive, even though it is relatively inactive.

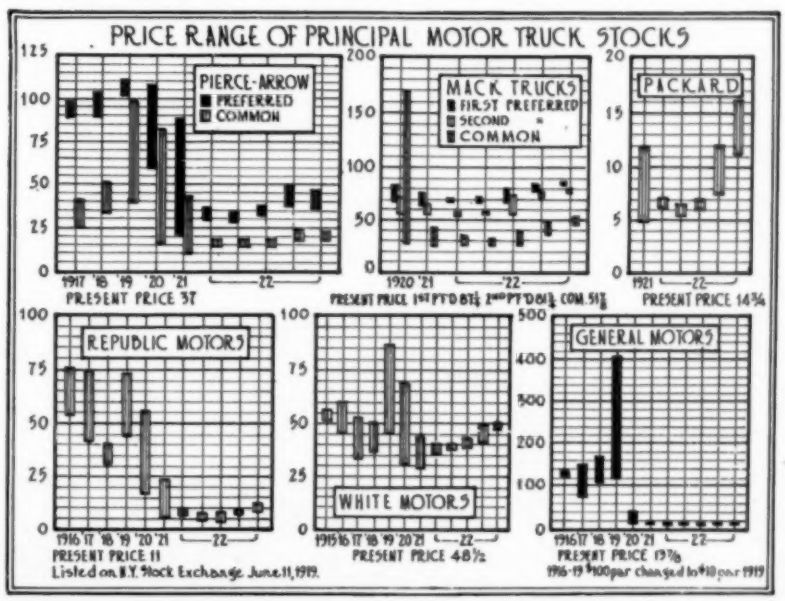
PIERCE-ARROW

Not Yet in the Clear

It used to be said that the passenger-car service of Pierce-Arrow was normally large enough to take care of the dividends upon the $10,000,000 8% preferred stock, while profits from the motor-truck end of the business would furnish the surplus for the 250,000 shares of common stock. Pierce-Arrow has had about as difficult a time as any of the better known motor manufacturers. It went into 1921 with a large unbalanced inventory of high-priced materials and was forced to borrow heavily from the banks. The company has manufacturing facilities for the production of something like 10,000 vehicles a year and last year it was doubtful that the plant was turning out cars in excess of 40% of capacity. As a result the company showed a deficit of almost $9,000,000 and reported a profit and loss deficit of $4,400,000.

Since January 1st, Pierce has succeeded in operating at a slight profit, and it is understood that this showing is possible from an increase in the sales of passenger cars. The demand for trucks is said to be small. The line consists of two-ton, three-and-a-half-ton and five-ton models. The failure of this end of the business to improve is responsible for the con-

(*Continued on page 390*)



Participating Preferred Stocks

An Interesting Group of Preferred Stocks Offering Unusual Investment and Speculative Opportunities

By FRED L. KURR

PARTICIPATING preferred stocks frequently offer to the investor that ideal combination, safety of income and possibilities for a substantial appreciation in principal. In the table accompanying this article, a complete list of participating preferred stocks listed on the New York Stock Exchange are given. Many of these are not in a position to benefit from their participating privilege for years to come if ever and are only included to make the table complete. There are several, however, that are well worth looking into and in the writer's judgment some offer very attractive investment opportunities at present price levels. They and others are herewith recorded:

CHICAGO, ST. PAUL, MINNEAPOLIS & OMAHA RAILWAY

Preferred stock is entitled to 7% and shares equally with common after 7% is paid on the latter. Dividends have been paid on the preferred at rate of 7% since 1892 without a break. The common stock is now paying 5% but in the years 1905-16 the rate was 7%. A deficit before dividends was reported in 1921 and for the first four months of 1922 fixed charges were not fully covered. This puts the preferred in a somewhat speculative position especially as the financial condition of the road is none too strong. **The participating feature appears of little value at this time.**

BUFFALO, ROCHESTER & PITTSBURGH RAILWAY

There is $6,000,000 of the 6% preferred stock outstanding which shares with the common in dividends after 6% has been paid on both. The common stock has paid dividends since 1898 without a break and is now paying 4%. In 1904-7 inclusive, and in 1913 and 1917 the common paid 6%. In 1921 the road reported a deficit but in 1920 earned 13.91% on both classes of stock and in previous years earnings have frequently run over 10%. The road is in good financial condition and earnings are showing up well this year. With better conditions facing the railroads the participating feature of the preferred may become valuable in years to come. The Stock is listed on the New York Stock Exchange, but is very inactive. Last quotation was no bid offered at 94. **In the years 1912-1917 this stock did not sell below 109 and is quite likely to get up to these levels again. In view of the poor market, however, it is only suitable to purchase as a more or less permanent investment.**

CHICAGO & NORTHWESTERN RAILWAY

The preferred stock is entitled to 7%, then common to 7%, then preferred 3%, then common 3%, then common and preferred stock share alike. In other words, the preferred stock is entitled to 10% before the common can receive more than 7%. From 1903 to 1919 inclusive the preferred received 8% and the stock held a level well above 125 and in every year up to 1911 crossed 200. In 1921 earnings of this road were very poor, a deficit of $1,813,535 being reported before dividend payments and the common dividend rate was reduced to 5%. Earnings this year are much better and the road is earning its preferred dividend and should show something on the common. **As the financial and physical condition of this road is good there is every reason for believing that it will regain its old earning power, and the preferred stock selling at 111 to yield 6.3% appears an unusual investment opportunity combining a high degree of safety with possibilities of great appreciation in value having, in the past, sold at double its present price.**

PARTICIPATING PREFERRED STOCKS

Company	Present Rate	Nominal Pref. Div. Rate	Par Value	Basis of Participation
Autosales Corporation.	*†4%	6% N.C.	$50	Equally after 6% has been paid on the common stock.
American Water Works & Electric Co., Inc.	0	6% ‡	100	After 6% on participating preferred and 6% on common, both share equally.
Buffalo, Rochester & Pittsburgh Ry. Co.	6%	6% N.C.	100	Equally after 6% has been paid on the common stock.
Chicago, Milwaukee & St. Paul Ry. Co.	0	7% N.C.	100	After common has received 7% both issues share equally in any further distribution.
Chicago & North Western Ry Co.	7%	7% N.C.	100	After preferred and common have each received 7% the preferred is entitled to 3% additional, then the common 3%, and thereafter each issue shares pro rata.
Chicago, St. Paul, Minneapolis & Omaha Ry.	7%	7% N.C.	100	Shares equally with common after 7% has been paid on the latter.
California Petroleum Corporation.	7%	7% Cum.	100	Shares pro rata with common in all dividends over 7% on the latter.
Duluth, South Shore & Atlantic Ry. Co (The)	0	6% N.C.	100	Entitled to share pro rata in all dividends in excess of 6% on the entire capital stock.
Elk Horn Coal Corporation, Inc.	6%	6% N.C.	50	After common has received 6% both classes share equally.
International & Great Northern Ry. Co.	0	5% N.C.	100	Shares equally with common in all dividends after 5% on the latter.
Lake Erie & Western R. R. Co. (The)	0	6% N.C.	100	After payment of 6% on common both share equally in any further distribution.
Minneapolis, St. Paul & Sault Ste. Marie Ry. Co.	4%	7% N.C.	100	After 7% has been paid on common and preferred stocks, both share equally.
New York, Chicago & St. Louis R. R. Co. (The)	5%	1st 5% N.C.	100	After dividends of 5% have been paid on both classes of preferred and on the common, all share equally.
	5%	2nd 5% N.C.	100	
National Railways of Mexico.	0	5% N.C.	100	Shares pro rata in dividends with the common after 1st preferred dividend has been paid.
New York Dock Co.	5%	5% N.C.	100	After payment of 5% on both preferred and common they share equally.
Oklahoma Producing & Refining Corporation of America.	0	8% Cum.	5	After payment of 8% on common and preferred both share equally.
Pacific Coast Company—2nd.	0	4% N.C.	100	After 4% has been paid on common both common and second preferred share equally.
Pittsburgh Coal Co.	6%	6% Cum.	100	Preferred and common share alike after common has received 6%.
Seaboard Air Line Railway.	0	4.2% N.C.	100	After the 6% preferred stock has received 6% the 4.2% preferred is entitled to 4%. The common then gets 4%, after which the 4.2% preferred may receive an additional 2% but no more.
Wabash Railway Co. "A."	0	5% N.C.	100	After the preferred "B" and common stocks have received dividends at the rate of 5% the preferred "A" stock receives additional dividends at the same rate as the common stock.
Westinghouse Electric.	6%	7% Cum.	50	Shares equally with common after 7% has been paid on both.
Wisconsin Central Railway Co.	‡	4% N.C.	100	Shares equally with common after 4% has been paid on both issues. See footnote ‡.
J. I. Case Plow Works Co.—2nd.	0	7% N.C.	100	After all of the 1st preferred stock has been retired, the 2nd non-cum. participating preferred will acquire all the rights of the senior issue, and in addition will participate with the common stock in all dividends.
Keokuk and Des Moines Ry.	0	8% N.C.	100	Shares pro rata with common after latter has received 8%.
Producers & Refiners Corporation.	8%	8% Cum.	50	Preferred stock participates with common after 7% on the latter.

* Paid in December, 1921. None since. † Paid in preferred stock in December, 1921. ‡ Participating preferred stock is preceded by $10,000,000 First Preferred Stock 7% Cumulative. Participating Preferred callable at $105. § Of $11,265,600 preferred stock outstanding, $11,177,100 are owned by The Minn., St. Paul & Ste. Marie Ry. Co.

CALIFORNIA PETROLEUM

There is $10,739,526 7% preferred stock outstanding which shares pro rata with common in dividends over 7%. This company has a settled production in California of close to four million barrels a year. Earnings have been showing a steady increase and were equal to 9.64% on the combined common and preferred stocks in 1921, as against 8.32% in 1920. The financial condition is strong and it is anticipated that dividends will shortly be started on the common stock. The preferred stock, callable at 120, is entitled to a good investment rating as there are no bonds ahead of it. At present price of 96 it gives an attractive yield, 7.3%. **It may be some years before the participating feature will become valuable but the investor can well afford to wait in view of the excellent present return on the money.**

ELK HORN COAL

Dividends on Elk Horn Coal 6% preferred stock (par $50) have been regularly paid since issuance. It shares equally in dividends with the common after 6% has been paid on both. The preferred stock must be regarded as in a speculative position as in 1921 a deficit was reported before dividend payments. In the current year, however, the company is operating close to capacity and making good profits as its mines are nearly all non-union. Nothing has been paid on the common stock since 1918 when 6% was paid (par value $50). **Financial condition is good and at present price of 40 the preferred has speculative possibilities, though the participating feature will probably not be of value for a long time to come.**

MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RAILWAY

"Soo" Line preferred stock is entitled to 7% non-cumulative dividends and shares equally with the common after 7% has been paid on both. Recently directors declared a semi-annual dividend of 2% on both the common and preferred stock, the reduction in the preferred dividend was made on the grounds that the company did not earn anything in the period for which the dividend was declared and that, as it was paid out of accumulated surplus of years when the full 7% was paid on the preferred stock, it was proper to divide the dividend equally between the two issues. Preferred stockholders took the matter to court claiming an infringement of their rights and were granted a temporary injunction restraining the payment of the dividends, but case was decided against them. Up to the present time 7% has been regularly paid on the preferred since organization. In 1921 the road reported a deficit before dividend payments and in the current year the first four months showed an operating deficit. Under these circumstances the preferred is in a decidedly speculative position but the old earning power of "Soo" is likely to return and the stock has possibilities. It has an inactive market and is selling at present around 80. **The participating feature is not of particular importance as even in years of prosperity the common never paid over 7%.**

NEW YORK, CHICAGO & ST. LOUIS

"Nickel Plate" 5% 1st and 2nd preferred stocks share alike with common after 5% has been paid. This road has been showing excellent earnings and in June 1922 a dividend of 2½% was paid on the common which was the first payment made since 1913 when 4% was paid. For the year ended December 31, 1921, 10.57% was earned on all classes of stock, as against 8.13½ in 1920. Earnings for first four months 1922 were at rate of 21.09% on the stocks but the Government's share on 5.75% of valuation basis would reduce this to 14.12½. The 2nd preferred stock selling around 79 looks

(*Continued on page 387*)

In a Class by Themselves

A List of Ten of the Strongest Industrial Companies in the United States—Why Their Shares Are Excellent Investments

By FREDERICK LEWIS

FOR the scientific investor who demands first, safety of principal and income, second, a fair return on the investment and third, possibilities for appreciation in value of the principal, the group of stocks classed as high-grade industrial common stocks should not be overlooked. In this group should only be included securities of companies that are in very strong financial condition, have shown a steady earning power over a long period of years, the ability to earn their dividends during periods of depression, paid their dividends without a break for a number of years, and that are engaged in a basic industry. These are rather stringent conditions and eliminate many securities that are doubtless excellent investments. There still remains a fair-sized list to choose from, however, and in this article ten stocks are briefly described that are entitled to a good investment rating.

In purchasing such stocks as these, the return on the investment, counting only the regular cash dividends paid, is not much higher than in the case of high-grade bonds, but extra dividends in cash and stock are paid from time to time and there is always the prospect of an increase in the regular rate or a large stock dividend. The average return to the investor of the ten stocks under consideration is 5.72% on the basis of regular cash dividends only. Including the extra dividends now being paid the yield is 6.42%. Every one of these companies are in a position to increase payments to common stockholders and it is highly probable that the investor purchasing this list would, over a period of say five years, realize a return of at least 10% on his money.

These stocks are more suitable for the long-pull investor than the trader or the short-pull operator as in many of them the market is rather thin and the bid and asked prices a few points apart, a situation to the great disadvantage of the trader but of small importance to the long-pull investor. This of course does not apply to United States Steel common which has the biggest and closest market year in and year out of any stock listed on the New York Stock Exchange.

AMERICAN CAR & FOUNDRY

This company on April 1, 1921, set aside a reserve of $10,800,000 to be used for the payment of common dividends whenever directors might find it necessary to draw upon this special fund, which is equal to three years' dividend requirements at present rate of 12%. Orders recently have been coming in in good volume and the outlook is very encouraging. In the fiscal year ended April 30, 1921, the company earned 21.50% on the common. With a three-year dividend reserve further large earnings will probably result in extra dividends. The present working capital is really larger than the company requires for the efficient conduct of its business. **At present price of 163 the yield of 7.3% looks very attractive in view of the high degree of safety of the dividend.**

GENERAL ELECTRIC

While General Electric is only paying 8% in cash, the company has announced a plan which provides for the authorization of a new issue of 6% preferred stock to be paid to common stockholders as a stock dividend at the rate of $5 per share per annum. A high-grade preferred stock such as this should sell at par which would make General Electric common at present price of 163 yield 8% including this dividend. In spite of the very unfavorable conditions obtaining in 1921 the company showed 12.92% earned on the common. This year will be very much better as large profits are being made from the manufacture of radio equipment and in addition the regular lines of its

business are rapidly picking up. **The stock is very inviting for investment at these levels.**

LIGGETT & MYERS TOBACCO

This company reversed the general procedure of industrial concerns when it reported the largest net income in its history in 1921, equal to 25.37% on the common stock, including the $10,733,200 class B which was offered at par to common stockholders in February, 1920. Prices have been reduced somewhat this year so that 1922 results may fall a little short of the 1921 record, but the dividend will undoubtedly be covered with a substantial margin to spare. In the years 1913-1919 inclusive 4% extra in addition to regular 12% dividend was paid and there is every reason for believing that extra dividend payments will be resumed in the future. **At 170 the yield is 7% and the stock looks like a very attractive long-pull investment at that price.**

P. LORILLARD

This company did not make quite as brilliant a showing as Liggett & Myers in 1921 but its report was very satisfactory showing 18.41%. Lorillard's biggest selling brands are Turkish cigarettes and popular favor the last few years has rather turned toward the domestic brands. This development has held the company back somewhat but it is now meeting considerable success with new brands of domestic cigarettes and there is no reason to take other than an optimistic view of the future. From 1914 to 1918 inclusive extra dividends were paid, and as its financial condition is very strong further extra dividends are to be expected. **At present price of 152 the yield is 7.8% which is unusually satisfactory for a security with the investment standing that this is entitled to.**

NATIONAL BISCUIT

National Biscuit stock has had a rather remarkable advance, having sold from a low of 102 in 1921 up to 157 and is now around 148. As a 7% stock this price looks rather high and has probably already discounted an increase in the dividend. The stock is entitled to a very high investment rating as the company has shown a remarkably consistent earning power and in the past ten years earnings never fell below 8%. Moreover, earnings have been steadily increasing and in 1921 made a new high record of 13.48% on the common. **While not particularly attractive for the short pull at these levels, the common stock can be regarded as a good long-pull investment.**

STANDARD MILLING

Standard Milling in 1917 paid a stock dividend of 4%, in 1918 a stock dividend of 4% and an extra cash dividend of 2%, in 1919 and 1920 2% extra in cash was paid. This company has a very efficient and conservative management as was well illustrated by the excellent shape in which it came through the period of deflation which was very hard on the milling companies, many reporting large deficits. For the year ended August 31, 1921, after deducting inventory losses 10.94% was earned on the common, as against 26.59% in 1920. In May, 1920, authorized common stock was increased from $7,500,000 to $15,000,000. None of this new stock has been issued and as the company has ample working capital and apparently does not need funds for any other purpose it is decidedly likely that a good-sized stock dividend will be paid in the near future, although none is expected in the current year. The stock is very inactive and bid and asked prices are frequently far apart. It should only be purchased therefore by the long-pull investor. **As a long-pull investment it appears, at present prices of about 123, to have decidedly alluring possibilities.**

OTIS ELEVATOR

Otis Elevator earned 12.0% in 1921, as against 26.2% in 1920. This company is the most important factor in its industry, the manufacture of elevators and earnings have been showing a steady increase year by year, with the exception of 1921 when they fell off because of the great depression in practically all lines of industry. **The company undoubtedly has a bright future ahead of it and already has demonstrated an earning power that would justify higher dividends to common stockholders.**

STANDARD OIL OF NEW JERSEY

Standard Oil of New Jersey would appear to be selling high enough on the basis of its earnings for the past ten years, but in this connection it is well to take into consideration the fact that dividend payments have only been at the rate of $5 a year, or one third of earnings. As a result a big profit and loss surplus of $592,021,631 has been piled up. Moreover, earnings have been showing a steadily increasing tendency and the company can be regarded as having great possibilities. **With a working capital of $384,211,768 it is logical to conclude that dividend policy in the future will be more liberal than it has been in the past.** It is anticipated that earnings this year will be unusually favorable.

UNITED STATES STEEL

While United States Steel did not cover its 5% dividend in 1921 when 2.24% was earned this result was to be anticipated in view of the big drop in prices and the stagnation in the industry. Practically all the independent companies showed large deficits. This company is by far the lowest cost producer of steel and under anything like normal conditions can show earnings well in excess of dividend requirements. The stock can be regarded as a 5% payer in poor times and a much more liberal dividend payer under normal conditions. Its financial condition is so strong that it could undoubtedly go through a very long period of depression and still be justified in maintaining the dividend. In 1917, 1918 and 1919 extra dividends were paid and when the industry is again on a favorable basis the extra dividend policy will undoubtedly be resumed. The stock has an asset value of over $200 a share. **Although it has had an important advance from 1921 lows it is still quite satisfactory from a long-pull investment view-point.**

F. W. WOOLWORTH

This company has shown itself to be practically immune to hard times and in 1921 reported the largest earnings in its history, 19.34% on the common stock. Earnings have shown a steadily increasing tendency and as new stores are being opened every year there is every reason for believing that earnings will continue on an ascending scale. The regular dividend rate is 8% but an extra dividend of 2% was paid in April, 1922. **It is not thought that less than 2% extra per annum will be paid from onw on and very likely they will exceed this.** Including the 2% extra the yield at present price of 163 is 6.1%.

HIGH-GRADE COMMON STOCKS OF INDUSTRIAL CORPORATIONS

	Capitalization			Working capital	10 years aver. earn'gs on common	Dividend rate on common	Present price	Yield	Price Range 1922 High	Price Range 1922 Low
	Bonds	Preferred	Common							
Amer. Car & Foundry	None	$30,000,000	$30,000,000	*$37,544,510	*15.46	$12	163	7.3	169	141
General Electric	$36,219,510	.....	175,623,104	166,583,685	16.09	†8	166	5.0	168	136
Liggett & Myers	29,320,600	22,514,000	‡32,229,600	56,682,673	24.57	12	170	7.0	173¼	153½
P. Lorillard	20,701,800	11,307,600	30,304,800	46,539,345	21.03	12	152	7.8	159⅜	147¼
National Biscuit	None	24,804,500	29,236,000	19,098,901	11.05	7	145	4.8	157	123¼
Standard Milling	5,500,000	6,488,000	7,410,142	‡8,496,271	‡16.31	8	123	6.5	125¾	114
Standard Oil of N. J.	None	198,349,800	¶98,879,325	384,211,768	16.00	5	185	2.8	198¾	169
U. S. Steel	549,264,768	360,281,100	508,302,500	485,182,775	16.50	5	99	5.0	103¼	82
F. W. Woolworth	1,914,500	10,000,000	65,000,000	23,706,042	13.46	8	163	5.0	167¾	137
Otis Elevator	None	6,500,000	14,227,800	11,237,063	10.79	8	133	6.0	143¾	116

* Years ended April 30. † Company has announced that future policy will be to pay $5 per annum in 6% preferred stock in addition to present 8% cash dividends. ‡ Years ended August 31. § Includes $10,733,200 class B common which has no voting power. ¶ Par value $25.

Pond Creek Coal Company

In New Period of Prosperity

Company About to Eliminate Funded Debt — Remarkable Expansion in Earnings as a Result of the Coal Strike

By A. T. MILLER

AMONG the lower-priced stocks quoted on the New York Stock Exchange, Pond Creek Coal commands attention in view of the rapid financial progress of the company, which has been partly a result of its excellent management and partly a result of recent events in the industrial situation which have turned out favorably for the company.

Management is an important element in considering the merits of any security and in this respect Pond Creek Coal is in an excellent position. Its management—which is also, practically speaking, the management of Island Creek Coal, the latter one of the most successful coal properties in the United States— is unusually capable, and has concentrated its efforts on this compact little company in a way which is bringing satisfactory results. This is true from both an industrial and financial viewpoint. Thus the company has been fortunate in maintaining production at a time when so many other coal companies, even the non-union mines, of which this group is one of the most important, were compelled to close down their mines. As a result of this situation, the company has profited greatly and its earnings are understood to be running at a rate of $7.00 a share—which is a pretty good rate for a stock selling in the lower twenties.

Another favorable factor, and this is probably more important to Pond Creek Coal from a long-range viewpoint, is the fact that its products are peculiarly adapted to the needs of the steel industry, and with the latter booming along, the company is benefiting from a greatly enlarged demand. Further progress in the steel industry will continue to have a favorable effect on this company.

What the Figures Show

Figures are sometimes more eloquent than words and attention is particularly called to the attached table showing the trend in the working capital of the company. It will be noticed that since 1915 it has always been in a satisfactory working capital position but that in the past few years it has been in an exceptionally strong position in this regard. Thus in 1919, current assets were about eight times current liabilities, in 1920 about five times and in 1921 about nine times. This represents a very strong financial position.

As a result of the improvement in its financial position, the company has been gradually redeeming its 10-year 6% convertible gold 6s so that as at the end of 1921 they amounted to only $280,000 out of a total authorized issue of $3,000,000. It is expected that the remainder will be called in this year as a result of the high rate of earnings now enjoyed by the company, which would leave the capital stock without any other issue—bonds or stock—ahead of it.

POND CREEK COAL CO.

	Bond Interest Times Earned	Capital Stock Earned per Share	Capital Stock Paid per Share
1916	2.75	$1.00	....
1917	9.79	3.92	$1.55
1918	12.99	2.67	1.87½
1919	6.18	1.13	1.00
1920	15.61	2.87	1.25
1921	14.54	2.55	1.62½
1922	93.00*	7.00*	0.75†

* Estimated on basis of present rate of earnings.

† Payments thus far this year.

During the past five years the company has enjoyed on the average an earning power of about $2.67 a share. However, this did not include the amount which had to be paid out in interest on the then outstanding bonds. Roughly, this would have amounted to an additional 50 cents a share on the average, so that had there been no bonds the company would have shown an average annual earning power of $3.17 a share, without including the amounts which were used to buy in the bonds from time to time.

This year, as stated, owing to the unusual demand occasioned by the coal strike and the increased activity of the steel industry, the company will show an amount greatly in excess of that earned at any time in its history. This amount, based on the current rate of earnings, will probably approximate $7.00 a share.

Since the beginning of 1917 the company has paid dividends regularly, though in varying amounts. It has, however, been quite conservative in these payments, and as a result while shareholders have benefited, this was never at the expense of the company. Whenever earnings have warranted, dividends have been increased and when earnings fell off, dividends dropped with them. In the present year, earnings are going to be very good, so far as present indications go, and it would not be surprising if at the end of the year, the directors saw fit to make an extra distribution.

A logical question is: How will earnings be affected after the coal strike is over? Obviously, since the company has benefited to a certain extent from the coal strike, its cessation will have some effect on earnings. However, this will at least be partially offset by the rise in steel operations and also by the fact that the company is diversifying its market and is now going out after other customers besides the steel and iron concerns.

In considering the probable future rate of earnings, it would be well to glance back at the record of this interesting company, which showed a substantial margin, comparatively speaking, in each year since 1915. It is hardly likely, considering the high-grade character of its product, and its efficient management, that earnings in future years will fall off much from the average of the past few years. From this premise, it may logically be concluded that at least sufficient can be earned under ordinary circumstances to pay the present rate of dividends, which amounts to $1.50 a share annually.

Conclusion

The range on Pond Creek Coal stock this year has been 14½ to 24⅛ and at current levels is selling at about 23. It is obvious that at current levels the stock is not quite as attractive as it was at 14, but it has by no means discounted its prospects. At the present price the yield is 6¼% on the invested money, a not unattractive return considering the security of the dividend. As pointed out, the stock has possibilities in respect to higher dividends and it should eventually sell at considerably higher prices than those now prevailing.

POND CREEK COAL

WORKING CAPITAL

(Year Ends Dec. 31)

	1915	1916	1917	1918	1919	1920	1921
Total Current Assets	$1,042,116	942,008	1,625,407	1,596,409	1,449,026	1,980,922	2,122,189
Total Current Liabilities	90,778	82,918	840,564	656,546	170,910	582,772	240,422
Working Capital	$951,338	859,042	784,843	939,863	1,278,116	1,598,150	1,881,767

American Steel Foundries

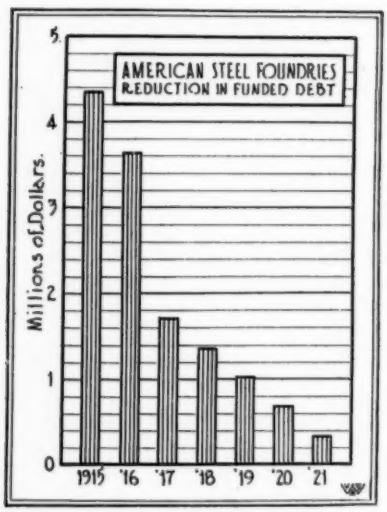
Dividend Now Appears Safe

Great Improvement in Financial Condition—Reduction of Funded Debt—Earnings and Outlook for the Stock

By ALFRED MAYS

AMERICAN Steel Foundries has evidently turned the corner as indicated by the earnings report for the first quarter of the year and by the current rate of operations. Closely allied with the return of activity at the plants of American Steel Foundries has been the restoration of railroad purchasing power. American Steel Foundries is mainly dependent for its business on the carriers, and the improved position of the latter has consequently had a direct bearing on the position of the company.

In 1921, American Steel Foundries found itself in difficulties owing to the involved credit position of its railroad



customers, the latter owing the company something like $13,200,000 at the end of 1920. Within the year, however, owing to Congressional action in 1921, prompt payment of back bills was effected, and as a result American Steel Foundries was able to effect a cut in the bills owed to it, to the tune of about $8,100,000. At the beginning of the current year, bills and accounts payable to the company amounted to only $5,118,000, a normal amount. This liquidation of "frozen" railroad credit is one of the principal factors in the return of the company to financial strength.

American Steel Foundries to-day is in an extremely strong financial position. Current assets of $16,888,000 are over four times current liabilities of $3,762,000. Of current assets, nearly $6,000,000 is in cash, Liberty bonds and Treasury certificates of indebtedness. Working capital of $13,000,000 is more than sufficient to carry on the company's business.

As a result of high earnings during the period 1916-1920, the company managed to retire all but $340,800 of its 4% debenture. This balance of $340,800 will be retired this year, leaving the company without any funded debt whatever. Obviously earnings which heretofore were applied to bond interest and retirement fund will now be applied to preferred and common stocks, strengthening the dividend position of these issues. As a matter of fact, after the retirement of the debentures the preferred stock, which will share first in earnings, will be in such a strong position as to make it one of the soundest of all industrial preferred stocks. This issue is currently quoted at around par and yields 7% on the investment. It is an issue which may be expected to sell considerably higher.

Operations

Report for the first quarter of the year shows earnings on the common stock of 54 cents a share, but operations in the first quarter averaged only 50%. They are now averaging about 75%, and earnings of the company, when the report for the second quarter is published, will show a considerable increase. It is practically a safe statement that American Steel Foundries will earn its common dividend this year, possibly with a fair margin. In 1921, it earned a deficit, so that since last year there has been very great improvement in this company's affairs.

In the middle of 1919, the company acquired through purchase the Griffin Wheel Company, which was a very satisfactory investment. This property was acquired by means of the sale of the $8,481,300 7% preferred stock, since reduced to $8,381,000.

Griffin Wheel

Since the acquisition of Griffin Wheel, the company has placed itself in a very strong strategic position, as demand for its products has become stabilized. The business of Griffin Wheel is largely of a replacement order and the railroads are practically always in the market for its products. The parent company also does a replacement business largely. While American Steel Foundries essentially is in the railroad equipment business, it is in a more fortunate position than such companies as Baldwin, American Car Foundry and American Locomotive. These latter companies manufacture products which run into big money, and the railroads only buy when well financed. On the other hand, the products of American Steel Foundries are relatively inexpensive, so that the railroads are almost always in a position to buy its products. This does not mean, however, that American Steel Foundries' business does not fluctuate. It does, along with the business of the railroads themselves, but, on the whole, it is likely to be more stable than that of most of the other equipment companies.

Conclusion

There are several outstanding factors in regard to American Steel Foundries. In the first place, it is in a strong financial position. Secondly, it has practically retired its funded debt, putting both stock issues, preferred and common, closer to earnings. Third, the nature of its business is a more or less stable one. Fourth, its earnings have turned the corner. Fifth, the outlook is for at least maintenance of the present volume of business, which would be more than sufficient to cover the dividend rate on both preferred and common.

As stated above, the preferred stock is an excellent investment and merits consideration at these levels.

The common stock selling around 36 is a very attractive speculative investment. Par value is $33⅓ having been reduced from $100 par in May, 1919. This issue pays $3.00 annually and yields over 8% at current prices. This is a satisfactory yield and the stock seems to be selling out of line with other issues in its class. It can be confidently bought in the expectation of higher prices as the business situation shows further improvement.

AMERICAN STEEL FOUNDRIES

First Quarter Earnings, 1922

Net earnings	$738,728
Balance after depreciation	571,187
Other income	79,707
Total income	650,914
Interest charges, etc.	94,905
Federal taxes	78,570
Surplus	$477,439

Earned on preferred stock, $5.70.
Earned on common stock, $0.54.

Inquiries on Industrial Securities

Inquiries on Other Securities Will Be Found in Their Respective Departments

MIDVALE STEEL

Would Wait for Rally

Some weeks ago I bought Midvale Steel, largely as a speculation, on the probability of the merger and raise in price thereby. I am in a position to hold this stock indefinitely if necessary. Would it be better to take the loss or not? I purchased at 38. What will be the probable length of time before it reaches 38 or 40?—K. E. P., Lexington, Ky.

Midvale Steel is a very speculative issue, and we have been advocating its sale at around its recent high levels of 45, since which time the stock has had a considerable decline and is now selling at around 33. At the present price, we consider it a good speculation and one with possibilities for enhancement in value, especially if the merger is consummated, as we anticipate will be the case. We are therefore hesitant to advise taking losses in the present reactionary market. We do not care to predict how soon it will be before the stock reaches 38 or 40, but as you are in a position to hold the stock, and as you purchased it for a speculation, we would not advise disposing of it at the present time.

GOODYEAR TIRE

Common as a Long Pull

I have been a reader of your valuable magazine for several years and followed out your suggestions from time to time in investing my money. As a result I have a good list of bonds which, with real estate, comprises 50% of my capital, the balance being in spec-vestments which give a good return. I have a few thousand available which I contemplate putting into some low-priced stock not now paying dividends but which in two or three years has a good chance of doubling in value. I am perfectly willing to do without dividends throughout this period if I can get that much appreciation in principal. I am considering Goodyear common and would appreciate a short analysis of the possibilities of this stock.—H. M., New York City.

There is no question but that Goodyear Tire & Rubber Co. definitely turned the corner as far as earnings are concerned. The latest report covers the 10 months ended December 31, 1921, and shows a surplus, after deducting interest charges and $1,860,000 loss in inventory and property, of $3,620,-043. In view of the fact that this report covered a period of very unfavorable conditions for the tire companies the showing is excellent. Since the first of the year output has been substantially increased and production is now 24,000 tires daily. The financing that the company did last year has put it in very strong condition with a working capital of $55,428,263.

While the situation from an earnings standpoint is favorable, the losses sustained in 1920 forced the issuance of a big funded debt and prior preference stock and this removes the possibilities of dividends on the common for a long time to come. Interest on bonds requires $4,-480,000 and sinking fund requires $3,175,-000. Prior preference dividends total $2,-372,000 and there are a year's back dividends due. Preferred stock dividend requires $4,555,000. It can be seen, therefore, that about $14,500,000 must be paid each year to prior securities before the 1,000,000 shares of common stock can get anything. Of course the sinking fund will ultimately retire the bonds and remove this much of the obligation.

It will take several years of satisfactory earnings to get the common stock even within striking distance of dividends, but we do believe that if you would be willing to hold this stock as long as five years that there would be a very good chance of a 100% appreciation in value. Many other securities in our opinion offer better immediate prospects of enhancement in value.

MONTGOMERY WARD

Sales Increasing

What do you think of Montgomery Ward as a speculation?—C. L. A., Groton, Mass.

Montgomery Ward & Company has outstanding $4,249,800 7% cumulative preferred shares, 205,000 class A stock $7 cumulative no par value, and $11,412,510 common stock, par $10. The company suffered very heavily from the depression last year but commencing with February its sales have been on a progressively increasing basis and for the three months February, March and April totalled $1,-851,892 more than for the same period the previous year. In May, sales were 15% over May 1921 and this improvement in its business has been reflected in higher prices for its stock. Should the management be able to continue this progress, and the more favorable business conditions would so indicate, the stock can be considered a good business man's speculation around present levels.

WILLYS-OVERLAND

Behind on Orders

I shall be pleased to receive your opinion of Willys Overland. I bought the stock at considerably higher prices.—M. V., New York City.

The Willys Overland Company has succeeded in funding its floating debt for a year and this has relieved the immediate financial strain. There is greater activity in automobile lines and it is understood that these people have been able to secure their share of the business, the President of the Corporation stating last month that they were 15,000 cars behind, have made a considerable reduction in inventory and increased their cash holdings by $1,000,000. These favorable factors have been reflected by higher prices for the stock and if the management is able to continue its apparently present successful operations, it is reasonable to believe that the shares will sell higher. However, it is very speculative proposition though, in view of the fact that you say you purchased your stock at consid-

(*Continued on page 378*)

A BUSINESS MAN'S INVESTMENT

Suggestions for Investment of $15,000 in Common and Preferred Stocks

I would like to invest about $15,000 in what might be termed a good business man's investment, something to yield around 6½ to 7%. I would be pleased if you would furnish me with a list of common and preferred stocks that you would consider a business man's risk.

F. H. D., New York City.

For the investment of $15,000 in common and preferred stock to yield 6½ to 7%, we are pleased to submit the following list of securities, which can be regarded as a good business man's investment.

Common Stock	Dividend	Price	Yield
California Packing	6	76	7.8
Montana Power	3	69	4.3
American Telephone	9	120	7.5
Westinghouse Electric	4	60	6.6
General Electric	*8	165	7.8
Philadelphia Company	3	38	8.0
Atchison	6	99	6.0
Illinois Central	7	104	6.7
Norfolk & Western	7	105	6.7
Preferred Stock			
North American Company	3	42	6.9
American Can	7	104	6.7
Montana Power	7	107	6.6
American Smelting & Refining	7	98	7.1
Standard Milling	6	92	6.5
South Porto Rico Sugar	8	95	8.4
American Steel Foundries	7	100	7.0
Manati Sugar	7	80	8.7

By dividing up your $15,000 among these securities you would get a return of 7% on your investment, and, in our opinion, would have a very sound list of securities. By selecting your investments in this way you not only would be receiving a good return but there would be an excellent chance of your investment showing a substantial appreciation in value if held for the long pull.

Among the preferred stocks we included two securities of sugar companies that give a large return on the investment at the present time. We selected these for the reason that there has been a very decided improvement in the sugar industry in the past few months, and the preferred stocks of such sound companies as South Porto Rico and Manati Sugar are getting into a stronger investment position and are likely to advance substantially.

*** In addition $5 per annum in 6% preferred stock.**

Building Your Future Income

Mistakes That Taught Me How Not to Invest

Practical Pointers I Have Culled from Sixteen Years' Experience

By "J. B. C."

THIS account of investment pitfalls covers a period of about sixteen years, and whereas not all my investments and speculations have been mistakes, there have been enough to fill the following paragraphs. Doubtless it has been the lot of others to fall faster and farther, but what I learned may help some beginner in finance.

My first venture was made about six months after I had left college. I was working and saving money, and helping the wheels of business go round.

About this time, I chanced to meet an old schoolmate of mine who stated that he was selling subdivision lots for a company operating in a busy suburb. Having heard that several of my friends had made profitable turnovers in real estate in this same territory, I was an interested listener. According to his story, there was a great demand for lots, "buyers are flocking in!" and it would be best for me to act quickly.

I agreed to visit his "acreage." I did visit it. Out in green fields checkered off by macadam streets and cement walks, there was more glorious talk. In order to share in the profits which were "sure to accrue to wise investors," I signed a check for $100 and an agreement to pay $10 monthly till entirely paid up. For this, I had an interest in a small verdant rectangle facing a promised city park and flanked by a modern roadway. All I had to do now was to carry on for a few months and make a profitable resale to some anxious buyer.

For six tiresome years, I paid and hoped—hoped that this first-born "investment" would not prove a cripple. Finally, along came a sure profit taker, one of those real-estate sharks who nose out the bargains. For fifty cents on the dollar, I transferred my equity.

In my own defence, I may say that, in making this purchase, I merely did as many others have done, and under conditions which recur from time to time. A boom in suburban real estate founded upon certain real needs had been fostered by several development companies. This boom had been boosted to its utmost limits and tract after tract put on the market. Thousands bought, thinking to get in ahead of the press of population and to sell again to those who came later. But the meadows and hills had been oversold and normal city growth would take fifteen or twenty years to reach them. Some people built homes, others quit payments, and lost what equity they had, others lost after my method.

From this mistake **I learned not to buy in on any development proposition when it is still in the hands of its boosters. Wait till the hurrah is all over. Even then don't buy unless you are going to build, as profits on a turnover are usually too vague. Above all, be skeptical of the statements of interested parties. They will bear discounting.**

THE INVESTMENTS HARD KNOCKS TAUGHT ME TO MAKE

	Price Paid	Recent Price
INDUSTRIALS		
Swift & Co.	90¼	100½
Westinghouse El. & M.	44¼	59¾
California Packing	71	75
Kelly Springfield	42⅞	46¼
Virginia Carolina Chem.	25	31½
PUBLIC UTILITIES		
Amer. Tel. & Tel.	98¾	120
Brooklyn Edison	94	106½
MINING		
Anaconda Copper	41¾	51½
Miami	23	28⅛
Amer. Smelting & Refg pfd.	81⅞	98½
RAILROADS		
Delaware & Hudson	102	119½
Illinois Central	95	103⅞
Canadian Pacific	113¾	137⅜
B. & O. pfd.	44	60¼
Union Pacific	122	136¼
Union Pacific pfd.	66½	76
New York Central	69	90⅜
Atchison T. & S. F.	84	98⅜
Atchison T. & S. F. pfd.	80⅝	91½
Atlantic Coast Line	86	102⅞

Total Advance: 250 points.
Average Advance: 12½ points.

The Second Venture

Shortly after the termination of my lot deal, I came into control of $25,000 through the division of an estate. Of this total, I successfully placed $5,000 in bonds and stocks. However, I still had friends in the real-estate business and was persuaded to purchase a piece of improved property. For the sum of $7,000 I took over a three-story brick building located in a large city and in a section occupied by a conservative and thrifty foreign element. My purchase netted me 11% which was rather too high to be safe, but conditions seemed to be stable and values facing a rise if anything. It was my good fortune to sell out inside of six months at a 5% profit, which seemed fair enough.

My agent was still very much on the job and proceeded to sell me again while I still felt good from the first deal. I soon placed $20,000 in another three-story and basement brick building. This property was in the same section, was newly built and bringing in a good rate of income. There were also two other factors which were considered highly favorable to its stability as an investment and also of importance from a speculative view-point. One was the expected construction of a theatre with entrance adjacent to my property; the other was a new city administration which had undertaken to foster this section.

I refused an offer to sell at a small profit, and this refusal I have regretted ever since. Contrary to expectations, the theatre was never built and the new city political régime forgot its pre-election promises. Expected civic changes did not take place and my purchase seemed less desirable. Inside of six months, the boom in this district subsided, and true values began to assert themselves. My tenants asked for rent reductions and got them or moved out, with the result that, over a period of ten years, I have netted about 3% on my purchase.

Subsequent analysis of the loss on this deal showed that in purchasing I had placed too much reliance on unstable factors and too much faith in

the statements of the agent. This experience has convinced me that under no circumstances would I again purchase real estate without having an unbiased and disinterested appraisal made.

Entering the Securities Field

During the spring of 1919, I learned that I would that year receive $43,000 through the settlement of a law suit. Nine thousand was to go into a trust fund and the balance to be used at my discretion.

Having had indifferent success with real estate, I decided that the entire amount would be placed in securities. With this in view, I gave a great deal of my time to the study of bonds and stocks through the channels of authoritative books and through bond-house pamphlets and financial periodicals. From this wide reading, I was convinced that there was an excellent chance, as of December, 1919, to purchase high-grade bonds at a low figure.

My purchase of bonds to the amount of $30,000 at about this period was made, I believe, with but one error: Purchases for the $9,000 trust fund were made in conjunction with the bank. Their suggestion was that I place the entire amount in Liberty Bonds, but I proposed to sacrifice some of the safety and go into other issues. Our compromise was the purchase of five local public utility bonds which were well thought of by the bank and acceptable to me.

Some months after settling this purchase and after further study I came to the conclusion that a mistake had been made. A short-term security had been purchased at a period in the cycle of bond prices when sound, long-term bonds could be obtained at a very low figure. Although future bond prices could not be forecast, many indications during 1920 pointed to cheaper money and consequent higher prices for bonds. Inasmuch as the public utility bonds matured December, 1923, I insisted that they be sold and the proceeds reinvested. The bank consented to this and at my suggestion the amount was spread out over the following:

U. S. Steel s. f. 5s, 1963,
Union Pacific 1st 4s, 1947,
Atlantic Coast Line 1st 4s, 1952.

Incidentally, these issues have averaged a 6-point advance since; and by December, 1923, I expect to be able to show the trust officer that they have moved up another six points or more. **This experience, though it entailed no loss, taught me for all time to stay out of short-term securities when long-term bonds can be bought at a low figure, thereby guaranteeing a substantial return over a long period and a prospect of capital increase.**

Selecting Stocks

Coincident with my bond investments, I had planned to place about $12,000 of my original fund in stocks. In arranging to invest this amount, I assumed in a general way and without closer study or inquiry that stocks were as much a buy at that date as bonds. My choice lay in the stocks of a half dozen corporations of national prominence, and I sent a tentative list to my broker.

The following stocks were on my list, though my eventual commitments did not follow it exactly:

U. S. Steel common
Pennsylvania R. R.
du Pont Powder, pfd.
Swift & Co.,
Southern Pacific R. R.

A comment as to why I had decided to purchase each particular stock went with the list. Shortly thereafter, I received a reply which may be judged by the following quotation: "For a man not in the stock and bond business, you have a sound knowledge of investments." Perhaps my opinions about these various companies *were* sound, and deserving of favorable comment. What was emphatically wrong was my decision to purchase them as of the period of December, 1919. I did not know, and my broker did not mention this phase. However, I was ready to step into a serious pitfall and accomplish my purchases.

My final list was made up as follows:

Pennsylvania R. R. @ 42⅛
Atlas Powder pfd. @ 89
Southern Pacific @ 96½
Cuba Cane pfd. @ 87⅛
Hawaiian Sugar @ 40.

My broker's complimentary letter had not blurred my perspective entirely, and I still continued my studies, particular now among the financial periodicals, and chiefly THE MAGAZINE OF WALL STREET. Without aiming to flatter, I can say that it stands alone in its presentation of facts of finance to the lay reader.

I was soon convinced that the market was moving or about to move in the wrong direction for me, and if I did not make some changes in my list I would suffer severe shrinkage of my capital. If I had bought my list as investments to hold for the income, I was paying too much. They were bought during what was still a period of inflated market values and the return would be accordingly low. If I were buying to sell on a rise, there was small chance of doing so, as the stock market in general had passed its high point and was headed downward. It was the time to stay out, except possibly for the purchase of certain rails, and even they might go lower. I decided to sell.

Southern Pacific, which was selling out of line with other rails and was quite active, owing to expectedly favorable culmination of a Federal Suit and segregation of oil lands, was sold at 105. The profit was entirely satisfactory. Sugar was still booming and values were reflected in my Hawaiian Sugar shares. On a sharp rise, I sold out at 45. On reliable advice, I closed out my Cuba Cane preferred at 82, a 5-point loss on 60 shares, but in view of its subsequent crash to under 20 a cheap experience. Penn R. R. I continued to hold against reliable advice from several sources. I let it go, finally, in 1921, at 34, taking over an 8-point loss on 80 shares. Atlas is still on my books and has been for some time as low as 70 in a dull market. I presume it will be some years before I can break even on this purchase.

The fact that two of the foregoing stocks were sold at a profit was just chance, as they were out of line with the general trend. Hawaiian Sugar I bought a year later at 27 and then sold for 30. The losses, actual and on paper, on the other three were the price of a valuable lesson. **I learned the great value of knowing when to buy. I never again expect to buy any stock or list of stocks at the climax of a bull market and without knowing the exact status of the market.**

During 1920 and 1921, I accumulted the list of securities shown in the table on page 358. All of these were paid for in full.

Blasting Out the Facts About Insurance

What Further Research Reveals in Regard to Endowment Policies—Why You Should Retain Your Present Policy

By ROBERT SAUNDERS DOWST

A FEW weeks ago THE MAGAZINE OF WALL STREET published two articles of mine demonstrating that endowment insurance is a poor investment by comparion with the higher yield that may be realized by placing the annual premium-difference between an endowment and a whole life policy in sound bonds or other investment-securities. Those articles called forth considerable response from readers of The Magazine in the shape of queries to the insurance department. Such inquiries have been answered by the department itself, through Mrs. Clarendon.

The present article, apparently called for by the very general interest in life insurance as in *investment* as well as a *contract of protection*, is intended to discuss life insurance, not *in vacuo*, as an admittedly splendid thing for its proper uses, but in relation to the whole field of the conduct of one's financial affairs *and* one's investments The making and managing of investments are but a small part of the average business man's financial activities, and it can be shown that life insurance has a very definite function to perform in any individual's financial life. To attempt to make it serve an end for which it is not designed is to misuse it to one's own loss, simply that. Let us then see how insurance should and should not be used.

Primary Purpose of Insurance

In the first place, life insurance is intrinsically and primarily an *instrument of protection of dependents*. Complex as its figures and specific contracts may seem

to one who has not made a study of the subject, the basic theory of insurance is simple enough, 'Though all men die, and no one can tell when his own time to do so will come, nevertheless deaths like other human occurrences are subject to the law of averages, and over a long course of years it has been determined by the collection of actual figures that individuals of given ages have certain definite expectancies of duration of life.

Such data being available, it is a simple matter for an insurer to calculate what annual charge by way of premium, so-called, to make any individual of known age and normal condition of health, in order that the total of such annual premiums paid by him and other policyholders of the same age and class shall be enough to meet the death-claims resulting when such policyholders die, some soon, some late, but all in conformity to the previously ascertained law of averages of such deaths.

The whole mechanism of insurance revolves about the fact of death; the law of averages of deaths is what determines the premium-charge for any policy—even the endowment policy, where the added charge to mature the contract for face value in a given term of years is purely ancillary, and determined by other than insurance data; and the policyholder himself in nine cases out of ten is thinking of the certainty of death when he secures the policy, and *primarily* aims to make provision for his dependents if he dies prematurely. The tenth case is where the individual misuses insurance by applying it to ends which it is not designed to serve, as investment.

Surely it is obvious that the great and main purpose of life insurance is protection of dependents, not protection of self. Space in this magazine is valuable, and I shall not waste it by demonstrating the obvious.

Using Axes to Cut Butter

It follows from the protectve function of insurance that it should be so used. Axes, for instance, are to cut wood, not to cut bread or butter; each thing to its own purpose, is the principle. **Insurance is to provide for the care of dependents after the breadwinner has been taken away, and if it is applied to the purpose of investment the only result is loss relative to what would have been realized had the same amount of money been applied through proper instruments, as bonds, realty mortgages, other securities, and even savings banks instead of through insurance, an instrument of protection of dependents, tremendously efficient to that end, but absolutely inefficient as an instrument of investment.***

One can criticize the investment value of insurance by developing the concrete figures on its most typical investment form of policy, the endowment, as I did in the articles previously mentioned. But the money loss occasioned by taking out an endowment policy (which is merely a term policy, protecting for a specified time only, plus a low interest-rate savings feature which through exaction of an extra premium matures the policy at face value at the end of the term) is the lesser of its two great drawbacks. The other and greater drawback is the plain fact that one who takes out an endowment policy deliberately effects a 50% nullification of the primary purpose of life insurance. At age 32 (where I gave figures before) the cost of a 20-year endowment policy is almost exactly twice the cost of a whole life policy in the same amount. Therefore the man who puts his insurance money into an endowment policy is cutting his family's protection straight in half. **The object of insurance is protection of dependents, and that protection in terms of dollars would have been just twice as great had insured taken the typical form of policy, the whole or straight life—a policy typical simply because perfectly fulfilling the primary purpose of life insurance, which is protection.**

Endowments Inadequate

This matter of the limitation of protection by the purchase of endowment insurance would be of small practical importance if all men had elastic incomes and could carry enough endowment insurance adequately to protect their dependents. But all men have not elastic incomes and in ninety-nine cases out of a hundred would be unable to carry endowment insurance in an amount really adequate for protection.

A wife in average American middle-class society with one or more children, certainly would require an income of at least $1,200 yearly (necessitating a principal of from $20,000 to $25,000 invested at 5 to 6 per cent), and at age 32 for insured a 20-year endowment policy for $20,000 would cost just about $1,000 a year (subject to dividend deductions), far more than the average man is able to apply to insurance. A straight life policy in the same amount would cost less than $500 a year (subject also to dividend reductions), and such an annual charge is within the means of the class here spoken of. Is it not abundantly evident that apart from the low straight investment yield of an endowment policy (around 3%) its purchase involves an extremely serious impairment of protection?

And it is of course true that where insured has no dependents, and resorts to endowment insurance as a means of accumulation for himself rather than for protection, the fact of the low yield and consequent slow accumulation of endowment-invested funds puts him out of pocket in comparison with what he would have had by investing in sound negotiable securities (on which 5% is easily attainable without the least material risk).

It all comes down to the simple and accurate propositions that life insurance is designed for protection of dependents, that it should be so used, that the budget of every individual who has dependents (even his business) should make provision for it, that the amount carried should be adequate (ninety-nine men out of a hundred are under-insured, either through neglect or through choice of unadapted forms of policies), and that insurance in theory should not be used as a means of accumulation save as accumulation is incidental to any policy).

The Character Element

I emphasized *in theory* in the last proposition, and I did so to suggest that there is a psychological element, a character-element, in the problem. Since it requires some little effort and trouble to secure a loan on an insurance policy, the man careless in money matters, who spends too freely, may be able to save money by investing in insurance where he could not do so were the money in bank or securities and so easier to spend heedlessly. And in the case of the man financially ignorant, who really does not know how to go about the business of placing his dollars so as to get a respectable yield with safety, there is something to be said for insurance as a means of investment, apart from protection. Yet, as to this last case of the man financially uninformed, it seems to me to be vicious teaching to say "Since you do not know how to place your savings to best advantage, you must turn to insurance, for that is at least safe." (Savings banks are just as safe, and their yield is higher.) The way to address such a man, it seems to me, is to say "Here are the facts about insurance. It is a necessary and splendid means of protection, indeed, the only means. But it is not an efficient means of investment, not having been designed to that end. Protect your family by the necessary amount of protection insurance (straight or whole life), educate yourself, learn security values, and when you have learned them invest your surplus funds properly." It is unsound practice, to say the least, to falsify plain facts on account of assumed ignorance in the persons to whom discussion is addressed. In our particular case of insurance, the thing to do is tell the truth, pointing its splendid potentialities and warning against its misuse.

One last word. THE MOST EXPENSIVE THING A POLICYHOLDER CAN DO IS TO DROP HIS POLICY, EVEN IF IT IS NOT ADAPTED TO HIS PARTICULAR NEEDS, AFTER HE HAS CARRIED IT A WHILE. If you have made a mistake in choosing a policy which you discover you do not really need, in view of your individual circumstances, requiring rather some other form, convert it into that form by application to the insurer. *Don't drop it.* Dropping policies on which heavy early payments have been made, not adequately represented in surrender values, is the one sure way of losing money in insurance.

* While the points made by the author of this article seem entirely clear, it is desirable to emphasize the fact that his argument is addressed solely to men and women who have made a careful study of investing and who are capable of saving without the compulsion of premium dues. Mr. Dowst very evidently presupposes that the funds saved on insurance payments will be wisely and persistently put to work in profitable and safe channels.

IF YOU DON'T START, YOU DON'T ARRIVE

[Copyright: 1922: By The Chicago Tribune.]



Looking ahead, a year seems awfully long—365 days, 8,760 hours, 525,600 minutes—but at the end, when you look back, you are surprised at how quickly it has passed.



When you deposit your first $5 in the bank it seems hopeless to save very much in small weekly driblets, but some day you discover you have enough to make a profitable investment, and the cornerstone of your fortune is laid.

¶ "Darned good idea! Perfectly sound reasoning! Bound to come out just as you say! But who the dickens wants a plan that takes 20 years to get results?"

¶ That's what one critic said of a recent suggestion of ours that $25 a month, invested and re-invested semi-annually for 20 years at 6%, would amount to the sizeable fortune of $11,300 at the end of twenty years.

¶ To him, as to many others, no doubt, the thought of following along one path, day-in and day-out for month after month and year after year is little short of appalling.

¶ Lucky, isn't it, that the men who made history didn't feel that way about time! Otherwise the world might not be much further ahead today than it was a thousand years ago.

¶ Suppose General Grant, for one, hadn't been willing to "fight it out on this line IF IT TAKES ALL SUMMER!" Instead of a unified nation of free people, how many more slaves and how little union would there be today?

¶ Or, suppose James J. Hill, dreaming in his early youth of the empires that continued effort might build, had hesitated because of the time—the year after year after year—the building would require.

¶ Or suppose Thomas A. Edison, whose greatest inventions have been the products of persistent days and sleepless nights, who has more than once devoted many years of his infinitely precious time to the development of a single process—suppose this man, who attributes his greatest achievements to unrelenting toil, had begrudged the time it took!

¶ McCutcheon, the famous cartoonist of the Chicago Tribune, pierces to the kernel of this question: "Looking ahead," he says, "a year seems awfully long; but, looking back, how quickly it has passed!"

¶ In fortune-building, as in every other worthwhile enterprise, the capacity for continued, unceasing effort is a prime essential. Financial independence no more than Rome can be built in a day.

Smith Reads "Law One"

By RALPH RUSHMORE

SMITH, an everyday young man, had been caught in one of the multitude of fake stocks with which the security world is infested. Disgusted and discouraged, he demanded of a friend of his—a financial man named Brown—how any new investor could hope for a "square deal" in finance. Brown's reply follows.

"The first thing to learn about investing money is that it's a science and not a game. It's a science that calls for study, experimental work, research and constant application.

"The fellows who say it's not a science are the bucket shopsters and the fake stock swindlers—such people as the crowd that sold you that rotten oil stock. They say it's not a science because they know that *as soon as the investing public comes to look upon it as a science, begins to study it in dead earnest, just so soon will their business disappear.* The prey of the dishonest financial man is the ignorant investor. Only so long as investors continue ignorant will these rogues be able to batten on them!"

Brown warmed to his subject.

"Now, in all sciences," he went on, "there are certain rules which are universally accepted and agreed on. They are called 'laws.' In the science of physics, for instance, among other laws, there is the law of gravity. Anyone who undertakes to specialize in one of these sciences first learns these accepted laws. That is unless he's a d . . . fool, in which event he flouts the laws, and thereby insures his own ultimate failure.

"In investing, just as in the exact sciences, there is a group of fundamental and accepted laws which have to be known, understood and accepted if the newcomer is to succeed."

Brown paused and swung his chair around toward his desk. From a lower drawer he withdrew a mass of papers fastened together with a clip. On the top of the pile was what printers know as a "dummy"—a number of blank sheets bound together in book form between stiff cardboard covers. People known as "make-up" or "layout" men use these dummies as guides to the printer, indicating on them the position which every line of type, illustration and insert page is to go when the type setting and machine work is done and everything's ready for putting a book together in finished form.

Brown had been using his dummy as a sort of album, in which to paste up a number of closely typewritten pages. About half the "book" was filled in this way.

"You see—I've been writing a book," he said to Smith. "It's called 'Investing as a Science.' Not a title that will *pull*, as they say in publishing offices; no appeal to the man on the street; too high-brow and stilted. If I wanted to get circulation, I suppose I might better call it 'How to Get Rich!' Then everybody'd buy it!

"But I'm not after circulation on it. In fact, I doubt if I'll even try to get it published."

"Why write it then?" asked Smith, impressed in spite of himself by the proportions to which the unfinished work had already gone, and the amount of thought and time and care that had evidently been put into it.

"I wrote it to *crystallize my own views on investing,*" answered Brown. "It represents the sum total of all the knowledge I have been able to acquire since starting in the Street. No huge amount, perhaps, but a good deal, just the same."

"Seems to me there ought to be plenty books of the sort already written," suggested Smith.

"True enough. But I have found that I don't get half the value and the instruction out of reading a textbook that somebody else has written that I do out of writing one myself. You remember the old adage: *'Reading maketh a full man, conference a ready man, and writing an exact man?'*

"Well, in investing, more than in any other day-to-day business, *accuracy is a prime essential.* Investing calls for sound, sure knowledge—clean-cut opinions, carefully worked out methods. It's to make myself more accurate that I've been writing this book.

"Now to get back to those fundamental laws I was speaking of. I've tried to tabulate them in my first chapter. The idea to discuss each one separately later on. Here's Law Number One."

He shoved the open book over toward his friend. The latter took it, and read:

FUNDAMENTAL LAWS OF INVESTING

LAW ONE: Investing for profit, in the final analysis, represents the loaning out of a given sum of money to a group of individuals.

The terms under which the loan is made differ with the corporate security (stock, bond or note) received as evidence of the loan.

Hence, just as in the case of personal loans solicited by individuals, the person from whom the loan is requested should satisfy himself that:

(A) The borrower is honest.

(B) The borrowed funds are to be used for a legitimate purpose.

(C) The borrower has a record which proves him capable of using other people's funds to good advantage to them as well as to himself.

(D) The borrower's business is stable and substantial — one that is strong enough to withstand competition, which is equipped to take full advantage of special opportunities when they arise—in short, a business which can be depended upon to go forward, on a profitable basis, during the life of the loan.

(E) The interest received from the loan will be as high as could be obtained from any other party of equally good standing.

"Law Number One," said Brown, when his friend had finished reading it, "is enough to read just now. What do you think of it?"

Smith wriggled in his chair.

"Well—I guess it's all right," he said; "but just how would one apply it? For instance," he pointed his finger at subdivision 'A' as quoted above. "How is a man like me to find out whether a corporation is honest?"

Brown smiled.

"Not such an easy question, I admit," he said. "Put to the test it might be hard to prove that anyone—you or I, even—is strictly honest in every sense of the word. I don't suppose any one of us is absolutely beyond reproach.

"What you can do, though, is to find out whether a corporation or its officials have ever been *dishonest*—and that helps a lot. Look up the records—there are plenty of them. Take that oil outfit that swindled you." Smith winced at the suggestion. "Take just that little misrepresentation about the bank cashier, whose remarks were garbled so as to make them appear to recommend the stock. You could have found out about that through the credit agency, just as I did. Insignificant as it may seem, misrepresentation of that sort is about the most dishonest thing a corporation can do. All right: After learning about it you would have refused to 'loan' money to that outfit, due to their failure to qualify under Subdivision A of Law One. And your money would still be in your pocket today, instead of in theirs.

"Subdivision B doesn't need to worry you much. State laws control the legality of security offerings pretty well.

"Subdivision C simply calls for a little research. Most often you will find that THE MAGAZINE OF WALL STREET has done the research for you. If not, there are a number of manuals and statistical services which show in detail the past record of every important corporation in the country.

"Subdivision D calls for a little common sense—that's all. It stands to reason that a company which is equipped to manufacture nothing but arms and ammunition won't do a very large business in peace times; or that another concern manufacturing just one novelty will see its business decline to nothing after the novelty of the novelty has worn off. Businesses of this sort are not stable. Don't loan money to them, if you'd follow my advice, barring exceptional cases, and then only for short periods.

"Subdivision E calls for keeping track of the trend in interest rates throughout the country. Nothing difficult about it," he added hastily, as Smith's eyes widened, "Your newspaper gives you the current rate every night.

"Get Law One into your system; learn it by heart; never deviate an inch from it. It's the first principle in successful investing."

(Smith's second attempt at investing, which brought rather startling results, will be described in a later issue.)

Public Utilities

Twenty Public Utility Preferred Stocks

Many Good Investment Stocks Available With High Yields Also Giving Possibilities of Enhancement in Value

By JAMES N. PAUL

WITH the rapid advance in prices of good bonds this year which has diminished the yield on the majority of issues to close to the 5% figure, there are those among the ranks of discriminating investors who are now seeking a higher yield. To the investor who is seeking an A 1 investment, first mortgage bonds are probably the best medium at hand. But to the investor who is seeking a higher rate of return than that offered by first-class bonds and who is also looking for a fair security with possibilities of enhancement in value marketwise, there are many preferred stocks of public utility corporations which should commend themselves.

The story of the public utility companies has been outlined too often of late to need repetition. Summing up the whole situation briefly, with companies constantly getting better control of operating costs, the advance in prices of securities public utilities does not seem to have fully discounted the better situation confronting them. If, as many believe, we are in a bull market which has been temporarily halted, the utility stocks should again be in the lead in the upward movement. And with the more speculative common stocks moving upward, the preferred stocks should likewise advance in price, though not so rapidly.

The accompanying table gives a list of twenty public utility preferred stocks which give a yield of better than 6% and at the same time appear to offer possibilities of enhancement in value by reason of better earnings.

In compiling the list, several of the larger and better known companies have been included, though care has been taken to use chiefly securities of many small and less known companies but which at the same time show good earnings with indications of better figures in the future. While among the better known companies, the yield is generally between 6% and 7%, the majority show better than 7% with one instance of above 8%.

While the margin between earnings and dividend payments in some instances appears small, it should be borne in mind that earnings of utilities are stabilized, especially those of power companies. Barring extraordinary circumstances such as were brought about by the great World War with its abnormal conditions, earnings and business are on the upgrade and should continue so. Conditions in 1921 were better than they had been in three or four years, but the real results should be seen in the annual reports for 1922. It is there that the results of operations under improved conditions will be seen.

Some Excellent Issues

Among the larger and well-known companies, American Light & Traction Co. 6% cumulative preferred stock selling at 98 with a yield of 6.12% annually, appears attractive. The company is one of the largest public utility holding companies in this country and for many years its common stock sold above 200 with dividends at an annual rate of 28%, part cash and part stock dividends. It is earning its preferred dividend more than four times and this stock is classed as a high-grade investment proposition. Probable increase in the dividend rate on the common, which is looked for this year, should be reflected in higher prices for the preferred issue. American Gas & Electric Co. preferred and American Power & Light preferred are two other high-grade issues which offer a fair yield with possible higher prices later on.

With money becoming cheaper, Public Service Corporation of New Jersey 8% preferred stock selling at 106 with a yield of 7.50% should be attractive. Originally, the 8% preferred stock was brought out under the stress of war-time conditions when the company needed funds to finance new construction. Under the New Jersey state law, new stock issues have to be sold at par. Hence the relatively high rate of dividend. Company is now financing new construction in small amounts by the sale of preferred stock, but it is expected in the near future that some attempt will be made to use the junior issue for this purpose. Dividend on the common stock this Spring was raised to $6 annually and another increase in the rate later in the year would not be surprising. This event, if it materializes, should be reflected marketwise in the selling price of the 8% preferred stock.

Two of the smaller companies, Missis-

PUBLIC UTILITY PREFERRED STOCKS

Company	Pref. stock outstanding‡	Earnings on preferred	Dividend req'ments	Times earned	Rate (%)	Price	Yield (%)	Market
‡Adirondack Power & Light Co	$3,613,000	$476,730	$189,007	2.4	7	94	7.45	†Unlisted
*American Gas & Electric Co	7,808,400	2,710,063	462,028	5.8	6	45	6.06	"
American Light & Traction Co	14,236,200	3,510,902	854,172	4.1	6	98	6.12	"
American Power & Light Co	3,719,200	1,003,178	223,152	4.5	6	86	6.97	"
Carolina Power & Light Co	2,123,400	638,978	140,657	4.1	7	98	7.14	"
‡Colorado Power Co	1,002,000	121,138	70,164	1.7	7	90	7.78	"
‡Dayton Power & Light	3,564,500	432,628	208,821	2.1	6	88	6.82	N. Y. S. Exch.
Middle-West Utilities Co	8,375,000	1,616,326	384,745	4.2	5	74½	6.71	Unlisted
Mississippi River Power Co	8,217,262	781,986	459,776	1.7	6	79½	7.66	"
Nebraska Power Co	3,500,000	562,287	210,000	2.7	7	94	7.45	"
Northern States Power	24,778,000	2,911,860	1,601,164	1.8	7	91	7.69	"
‡Niagara Falls Power Co	11,515,400	2,241,148	806,078	2.8	7	106	6.60	"
Pacific Gas & Electric Co	39,930,900	4,969,230	2,395,585	2.7	6	87½	6.85	San F. Exch.
Pacific Power & Light Co	4,068,200	687,857	250,425	2.6	7	96	7.29	Unlisted
Public Service of Nor. Illinois	9,450,900	1,579,536	518,317	3.00	6	94	6.38	"
Public Service Corp. of New Jersey	11,509,200	3,594,628	835,739	4.3	8	106	7.50	N. Y. Curb
* Standard Gas & Electric	12,279,350	2,850,460	990,388	2.8	8	46	8.69	Unlisted
United Light & Railways Co	10,067,000	1,449,780	603,420	2.4	6	80	7.50	"
‡Western Power Corp	7,079,882	1,331,445	424,792	2.9	6	80	7.50	"
Yadkin River Power	1,015,000	270,326	69,317	3.8	7	95	7.37	"

* Par value $50. All other stocks are $100 par value. † Stocks shown as unlisted have a ready market in New York through "over-the-counter" brokers. Prices given are asked prices. § Figures given in table are based on the 1921 annual reports, but those marked with an ‡ are on the basis of 1920 annual reports, last figures available.

sippi River Power and Colorado Power Co., have been included in the list whose earnings in 1921 do not show up as well by comparison as the other companies. They have been included in the list, as both are excellently managed companies whose earnings this year are showing up very much better and which appear to have good prospects in the immediate future.

Space does not permit of an outline of the operations of all the companies enumerated in the table. The activities of some of the smaller and less known companies will be touched upon briefly.

CAROLINA POWER & LIGHT CO.

Carolina Power & Light Co., in addition to deriving revenue from holdings of stocks in smaller subsidiary companies, does the entire electric light and power service, street railway and gas business of Raleigh, N. C., and operates sixteen other communities in the state. Its lines connect with the Yadkin River Power Co. system, in which it owns all the common stock. Yadkin River Co. is a small company affiliated with the Electric Bond & Share Co. and operates a 24,000 k.w. hydro-electric plant. In addition to supplying power direct to communities in North and South Carolina, company also does a good business supplying power at wholesale to other utility companies.

AMERICAN POWER & LIGHT

American Power & Light Co. is a holding company deriving its earnings from holdings of securities in other companies operating in six western states. Its earnings have been well stabilized over a period of years and have shown good increase this year over those of 1921, which in turn were much better than those of 1920.

(*Continued on page 396*)

Pacific Gas & Electric Co.

A Rapidly Growing Public Utility

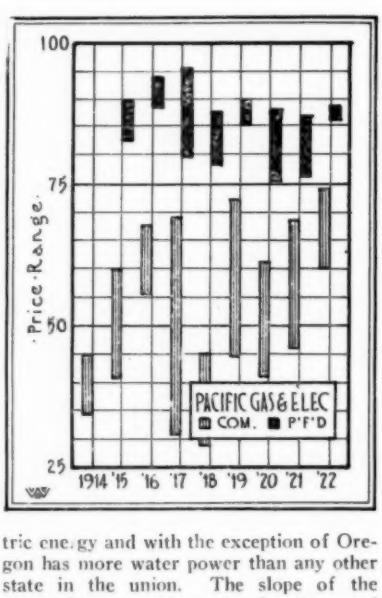
Owing to New Expansion of Demand for Gas and Electricity, Output Is Below Needs—New Hydro-Electric Plants

By O. P. DOBIE

WITH the possible exception of Consolidated Gas Co., Pacific Gas & Electric Co., operating on the Pacific coast, is perhaps the largest public utility property of its kind in this country. Its growth during the past ten years has been phenomenal, and during this period there has been a constant effort to have its facilities for service keep pace with the demand. The war, of course, retarded the construction, while the demand kept increasing, but even today, four years after this period of restricted construction, despite the fact that new plants are constantly being put into operation, the company is still behind on its power output.

Public utilities, from the view-point of territory covered, are on a large scale in the West. By comparison, many of the eastern public utilities seem small. Pacific Gas with its lines extending from below the city of San Francisco northward four hundred miles into Oregon, operates one of the greatest power systems of the world. A thumb-nail sketch of its activities to illustrate its size would be timely. It is the second largest producer of hydro-electric energy in this country and serves over 50% of the population of California. Power distribution involves almost 10,000 miles of high-tension transmission or distributing lines. Thirty-four power generating stations are operated of which only four generate electric energy by means of expensive steam power, the twenty-eight being modern hydro-electric plants. There are also operated nineteen gas plants, while in a smaller way water is sold for irrigation purposes and steam-heating service is furnished. A fair-sized traction line is also operated, though gas and electric sales comprise approximately 95% of its total revenues.

Nature has been bountiful to California in bestowing water powers. The state is first in the production of hydro-electric energy and with the exception of Oregon has more water power than any other state in the union. The slope of the mountain ranges down to the shores of the Pacific Ocean furnish ideal conditions for cheap production of electricity by water power. In addition, the growth of the state has been extremely rapid which has supplied a large demand. These factors combined have made Pacific Gas one of our largest and most prosperous utility companies. Of its total revenues, approximately 61% is derived from sales of electricity, 34% from gas sales and the balance from miscellaneous sources. Of its total installed electric production capacity of 481,836 horse power, 173,592 horse power is steam and the balance hydro-electric. Construction program now under way calls for more production of energy by water power to replace the expensive steam plants, though they may still be kept as auxiliaries.



Current Earnings

Current earnings of Pacific Gas & Electric Co. are slightly ahead of those of a year ago and indications are that this year it should be able to show close to $9 a share on the $34,004,058 common stock outstanding as shown by the 1921 annual report. The following table shows earnings for the first quarter of 1922 compared with a year ago:

	1921	1922
Gross	$9,719,843	$9,872,843
Net earnings	3,526,387	3,858,915
Surp. after charges.	1,432,282	1,571,740
Preferred dividends.	519,223	616,997
Common dividends.	425,219	433,131
Balance	487,840	521,616

Analysis of earnings over a ten-year period shows them to be fair, though in 1912 a deficit was shown after dividends on the common stock. It was only in 1914 that the company got into its stride as far as earnings are concerned. High operating costs cut into net earnings in 1917, and including the two following years earnings averaged about $5 a share on the common stock. Its gross earnings have shown rapid growth, increasing almost three times in the ten-year period. The accompanying table will show at a glance what the company has accomplished since 1912.

Dividends

As a dividend payer, the common stock has had a checkered career and has not been consistent which is reflected by its selling price in comparison with more seasoned issues. Twice dividends were discontinued on the junior shares but restored as soon as earnings picked up. The present rate is 5% annually and margin between dividend payment and earnings appears to be large enough, with the possibility of slightly increased payments in the future if good earnings continue.

PACIFIC GAS & ELECTRIC CO.—EARNINGS

	Gross	Balance for bond interest	Per share on com. stock	Divs. paid on common
1912	$14,025,622	$3,685,219	*Deficit	5%
1913	15,351,290	5,162,627	2.06	1¼%
1914	16,912,688	6,837,067	6.32	
1915	18,530,301	8,198,177	9.44	†5%
1916	18,615,497	8,143,316	8.59	5%
1917	19,831,317	7,281,986	5.03	3¾%
1918	22,595,517	7,188,369	4.65	...
1919	25,938,372	7,625,610	5.33	5%
1920	34,375,372	8,840,395	6.30	5%
1921	36,939,474	9,767,012	8.34	5%

* Deficit after payment of common dividends amounted to $2,004,059. † Paid in stock.

Last March, in addition to the regular quarterly cash payment on the common shares, a stock dividend of 2% was paid. This extra disbursement, it was understood, was to compensate in part for the periods when dividends had been omitted. It is probable that if there is no adjustment downward of rates and if earnings keep up that a higher rate on the common may be forthcoming later this year or small extra payments ordered from time to time.

Rates

The rate question is an important one with the company and charges for electricity are now subject to scrutiny by the California Railroad Commission, the rate-making body. Last May a reduction of two cents a thousand cubic feet was ordered on gas sales, but this revision was inconsequential amounting to only $230,000 annually based on gas consumption.

Rates for electricity are now increased by means of surcharges authorized by the commission. A property valuation is now under way for the purposes of fixing permanent rates, the surcharges being used as an emergency. The Railroad Commission has always shown a disposition to be fair to the utilities of the state, so no drastic rate reduction is looked for. Fixation of permanent rates is expected within a few months.

Needs for additional capital to finance new construction has been an important question with the company. In the twelve months to March 31, 1922, approximately $18,000,000 was expended. It still has an uncompleted construction program amounting to about $9,500,000 but has no cash or its equivalent to finance it.

What is known as the Pit River project No. 1 is extremely important and when completed should give the company an additional capacity of about 94,000 additional horse power. It will be one of the largest plants in this country. To carry construction materials to the site of the plant, a railroad thirty-five miles long has been constructed.

There was expended in 1921 for new construction $18,000,000; $10,000 in 1920, $3,000,000 in 1919 and $1,500,000 in 1918. The latter was the lowest year on record from the view-point of expenditures made for new construction, which was due to the entry of this country into the war which held up many projects. As illustrating the assets behind the company's securities, figures furnished by the company show that in sixteen years to 1921, approximately $76,000,000 was invested for new construction and $34,000,000 spent for other properties acquired, making a total of $110,000,000.

During 1921, Hat Creek properties Nos. 1 and 2 were completed which gave the company an additional installed hydro-electric capacity of 33,512 horse power. This year work has been going on to complete Pit River No. 1.

Depreciation

Pacific Gas has always been extremely liberal in charging off amounts for depreciation of properties. This item in 1921 alone amounted to $3,069,000 or almost one-tenth of total gross revenues.

Five years ago the California Railroad Commission ordered the company to set up for a five-year period an additonal amount of $1,000,000 annually. The five years will have expired in the current year so that this extra amount hereafter can properly be added to amount earned as available for dividends and increase the possibility of a higher rate for the common stock. The $1,000,000 additional depreciation being charged out would equal to about $3 a share on the common stock outstanding.

Total funded debt of the company including that of subsidiary companies for which it is liable amounted at the close of 1921 to $113,481,700 of which approximately $67,000,000 were bonds of Pacific Gas proper. Its three mortgage issues maturing in 1940, 1941 and 1942 respectively are considered excellent investment bonds with fairly long-term maturities.

There are $10,720,000 of the 7% Series A first mortgage bonds outstanding maturing in 1940. They are redeemable at 110 up to 1930 and thereafter at 105 and constitute a lien on all properties subject to the General and Refunding 5s due in 1942. At current selling price of 107 they yield 6.34% if held to maturity.

There are $20,000,000 of the First and Refunding Series B 6% bonds due in 1941 outstanding. They are secured by a first mortgage on all the company's properties. They are redeemable at 105 and interest. Selling at 102 at present, the yield is 5.80% if held to maturity.

The General and Refunding mortgage 5% bonds due in 1942 of which there are $35,882,000 outstanding constitute a lien on the entire properties, but from the yield basis are not as attractive as the two issues previously mentioned. They are also redeemable at 105. Selling at 91 the yield is 5.76% if held to maturity.

Stocks

Pacific Gas & Electric Co. first preferred stock of which there is $46,176,410 outstanding of an authorized issue of $79,900,000, is the medium through which the company is at present financing its new construction program. Company was one of the leaders in the movement to get its customers as stockholders and has been very successful. It is a fair investment issue and is now selling around 87½ at which price the yield it 6.85%. The preferred stock is traded in extensively "over the counter" in New York and enjoys a fairly active market. It is also traded in on the San Francisco Stock & Bond Exchange. Its range on the San Francisco exchange during the past three years has been between 75 and 90. It is a 6% cumulative issue with dividends payable quarterly.

The common stock of which there is $34,697,758 outstanding is more or less speculative but seems to have good possibilities. Present rate on the common stock is $5 annually and selling around 70 the yield is around 7%. The stock does not seem to be selling too high and with its good prospects might advance to higher levels on talk of readjustment of the dividend rate upward.



The diversion dam at the intake on Fall River. Pit No. 1 development. Now under construction

Petroleum

This Paradoxical Oil Situation

Production and Supplies Reach Record Proportions, Yet Prices Stay Up—Why?

By JAMES W. MAXWELL

OIL and the oil stocks, long since become one of the most popular speculative groups on the stock exchange, have recently taken the center of the stage. Consolidations and rumors of consolidations; record-breaking production and storage figures; frenzied gymnastics in the stock of the chief Mexican producer, leading to an "investigation" by the exchange authorities—these are typical of a great number of more or less recent developments which have riveted attention upon oildom, and made the question of the day, "Are we on the eve of another great petroleum boom?"

A Paradoxical Situation

What is probably the outstanding feature of the oil situation is the paradoxical situation with regard to (1) Rate of Production; (2) Supplies in Storage, waiting for market; and (3) Crude and Refined Oil prices.

When production and storage supplies of any industry fall below normal, the industry might be supposed to be "statistically" strong; when they rise *above* normal, the analysts of the trade might be expected to shake their heads solemnly and forecast a decline in prices. Such, at least, would have a background in logic.

But the very contrary is true of the oil industry today.

Production of crude oil in this country has for some time been going forward in record-breaking proportions, and there is no indication of any let-up. Over 1,450,000 barrels were turned out per day early in June, while average daily imports of 435,000 barrels from Mexico swelled the new supply to nearly 1,900,000 barrels. Against this huge production, there was a consumption rate of only about 1,400,000 barrels. Thus, an excess production of just about half a million barrels a day is piling up.

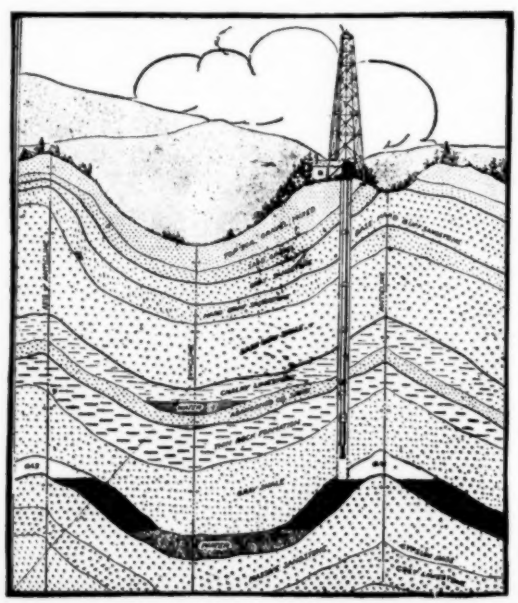
The fact that this much more oil than is needed to fill current requirements is being produced might not be of such great importance were it not for the very large supplies already above ground, held in vast storage tanks dotted around the country. According to reliable estimate, over a third of a billion barrels of crude and refined oil are in storage at the present time. According to the Bureau of Mines, total stocks of gasoline alone on hand on May 1st amounted to 892,267,666 gallons—an increase of 38,000,000 gallons over the April 1st level, which had been a record amount.

The Sources of Production

Where is all the production coming from? How does it compare with previous outputs? Here are two pertinent questions answered by the latest figures, viz., those for the week ending June 10th:

DAILY AVERAGE PRODUCTION
(In thousands of barrels)

	1922 June 10	1922 June 3	Diff'ence	1921 June 11
Oklahoma	389	387	Inc. 2	301
Kansas	85	84	Inc. 1	99
North Texas	50	50	.....	71
Central Texas	137	148	Dec. 11	133
North Louisiana	133	130	Inc. 3	102
Gulf Coast	113	109	Inc. 4	112
Eastern	112	111	Inc. 1	123
Wyo. & Montana	76	79	Dec. 3	63
California	360	350	Inc. 10	337
Total daily average gross production	1,459	1,451	Inc. 8	1,344



Tapping a dome into which gas and oil are forced by the hydraulic pressure beneath.

In the face of these swollen productions and supplies on hand, the price factor in oil, instead of moving down, has actually moved up. Crude prices have been strong since the beginning of the year, the latest change occurring early in June when Pennsylvania crude was advanced 25 cents a barrel to $3.50, and other grades, as usual, followed suit. Gasoline, in face of the enormous supplies alluded to above, has risen higher and higher. Since the first of the year, the price has moved up from 3 to 5 cents a gallon, according to locality, and over 30-cents a gallon is being demanded and obtained in some sections.

Certainly the foregoing illustrates in enough detail the paradoxical character of the present oil situation. It is interesting, and might prove profitable to trace the real reason—the explanation of the paradox.

An Explanation

Putting the whole matter into as few words as possible, the writer views the oil situation from the following angle:

In former times, whenever oil prices got "out of hand" and demoralization threatened, it used to be the policy of the dominant factors in the industry to go out among the smaller independents and buy up their refined products—gasoline, refined oil, gas oil, etc. What they purchased was immediately removed from the market and prices were thus protected. Note that they concentrated upon the *refined* products.

This procedure, as time wore on, was found to be very costly and "inefficient." At any rate, about two years ago, the policy was discarded and an entirely new one adopted.

The new policy called for an active campaign for *crude*. Instead of going after *refined* oil after prices had broken, it became the policy to dominate the crude-oil supplies and thus prevent them from breaking. The recent activities of the Standard Oil Co. of Indiana have been typical of this vigorous effort to enlarge crude resources. This company

(*Continued on page* 381)

Pierce Oil
White Oil

Simms Petroleum

Transcontinental Oil
Superior Oil

Five Low-Priced Oils

Their Trade Position and Prospects in Brief Outline

By PERRY A. EMERSON

	1922		
	High	Low	Last
Pierce Oil	12	7	8⅝
Simms Petroleum	12⅛	8⅛	8¾
White Oil	11⅜	7½	8¼
Transcontinental	20⅛	7½	15
Superior Oil	10¼	4⅝	7½

IN the above table, five of the more widely held and active of the independent oil issues listed on the Stock Exchange are presented. Each one of these companies, at one time or another, has been prominent in speculative dealings, and all of them are now selling at prices far below what was once thought to be their real value. For the purposes of the active trader, who finds securities of this type ideally suited to his market operations, it is interesting to look into the status of the issuing companies to determine their present position and what prospects there are, if any, of any important change for better or for worse in that position in the early future.

PIERCE OIL CORPORATION

Pierce Oil has been one of the least successful of what might be called the "original" American oil ring. While the former subsidiaries of the Standard Oil Corporation, as well as not a few of the independents, were swinging merrily on, piling up huge profits and doling out enticing dividends to their stockholders, Pierce went through a whole gamut of disagreements with political factions, fires, storms and other costly natural disturbances, salt-water intrusions and inventory losses.

Last year, 1921, the worst year in the corporation's history, was a sort of climax capper. It culminated in a net loss of over $5,000,000 for the year. The loss was attributed to a shrinkage in inventory values of $3,947,000; necessary write-offs of $1,703,000 for depletion and depreciation; reserves and interest charges of about $1,091,000. The final deficit for the year was $6,135,659, contrasting with a surplus of about $1,085,437 in 1920.

An effort to extricate the company from the predicament 1921's oil collapse plunged it into, was featured by:

1. The sale of $2,000,000 8% gold debenture bonds.
2. The issuance of $3,375,000 additional common stock.
3. The entrance of new interests into the directorate.

Early this year, with its bank loans paid off out of funds received from this new financing, the company was thought to be in a comparatively good position. Holdings in the San Miguel field of Mexico held out promise of a large new crude production, and the amplified management was counted upon to make more of the company's resources than had been done in the past. (Pierce has a large refinery equipment, operates a good-sized lubricating oil plant at St. Louis, Mo., and has extensive pipe line, tank car, tankers and other transportation equipment.)

In the course of later events, however, the San Miguel properties have failed to meet expectations, due to salt-water intrusion, thereby removing one of the few accepted reasons for believing in the shares. Of course, the recovery in crude oil prices has undoubtedly strengthened the company's position; but counteracting that is the absence of any evidence of increased progressiveness on the part of the management.

The company's present capitalization includes the following:

Class	Authorized	Outstanding
Funded debt	$2,000,000	$2,000,000
Preferred (8% cum.)	15,000,000	15,000,000
Common	33,000,000	26,247,831

The funded debt calls for $160,000 yearly in interest; the 8% cumulative preferred for $1,200,000 yearly in dividends. No dividends are being paid on either class of stock at this writing.

In view of the company's uncertain trade position, exemplified by the deterioration of some of its Mexican holdings, the heavy capital obligations and poor past record, the shares can hardly be recommended either as a speculation or as an investment.

WHITE OIL

How seriously the White Oil Corporation was affected by last year's slump in crude prices has been amply demonstrated by the report rather recently filed for the year 1921, in which a net loss of more than $2,540,000 was reported. In the light of more recent developments, however, the company's experience last year is of importance merely as a record. White Oil has since launched a determined rehabilitation campaign, in the effort to re-establish itself on its once promising footing, and there is no doubt that its position has been substantially strengthened as a result of this campaign.

Chief in the re-establishment campaign has been the effort to improve the capacity and efficiency of its refining and marketing facilities. The purpose has been to round off the White organization and render it less dependent on crude-oil prices—a recognized weakness in the case of the simon-pure producing company. In addition, the company has sought to enlarge its producing acreage and, at the same time, to distribute its investments in production over a greater number of fields.

The first big gun in this campaign was the acquisition of the United Central Oil Corporation, a movement which brought a substantial amount of new working capital into the company besides strengthening its trade position. An even more interesting feature of this move is the fact that it brought White Oil into affiliation with a strong banking organization as well as with interests associated with the successful United Gas & Electric Corporation. Further developments of the same nature are anticipated by those in touch with the purposes of the present management.

Not enough time has elapsed since the new campaign was launched for its effects to begin to show. Hence, there is little warrant for predictions as to the future. On the other hand, the company now seems to be under the direction of a far abler management than previously and with only a reasonable amount of luck should pull through in good shape.

The stock, around $9 a share, seems a fair oil speculation for those who are willing to wait for profits.

SIMMS PETROLEUM

Pierce Oil's troubles have been attributed to a toss-up between misfortune and an over-conservative management. White Oil's difficulties were brought on by the disastrous smash in crude-oil prices last year—a smash which it was not prepared to withstand. There is an element of the dramatic in both histories.

The story of Simms Petroleum is even more dramatic. It is the story of a promising little oil field in Louisiana which developed overnight into the most prolific producer this country has ever seen and then petered out almost as suddenly as it had developed, carrying with it the high hopes of Simms Petroleum, whose stock, during the interim, had soared upwards from around 10 to almost $75 per share.

Since the smash took place, Simms Petroleum has been re-officered; and one of the chief efforts of the management has been to readjust the company's affairs to conform with the new and settled conditions at the property. Rigid conserva-

(*Continued on page 392*)

Mining

The Romance of Anaconda

Tremendous Scope of Anaconda's Activities a Fascinating Study—History of Its Growth—Standard Oil Affiliations

By JOSEPH F. PRESTON

ALL the romance of life isn't wrapt up in fiction. If an intelligent movie director would look into the romance of mining he would find in the story of the Anaconda Copper Mining Company excellent material for the filming of an absorbingly interesting screen drama.

Here is a story that reeks of gold, silver, copper, money and power. For a starter there is The Richest Hill in the World, a hill of rich ore upon which thousands of men have been toiling for years, drilling, blasting, sinking shafts, digging, running tunnels, taking out vast



Photo by Brown Bros.

THE RICHEST HILL IN THE WORLD

The Anaconda Copper property containing untold wealth in copper and precious metal ore

riches. While the miners have toiled, great financiers have clashed and fought over the possession of this fabulously rich hill. For years a merry battle was waged over the ownership of the mines of Butte, a battle in which comedy and tragedy played their part.

A Tremendous Organization

The Anaconda Copper Mining Company is not only the largest producer of copper in the world, but strangely enough it is now the world's largest consumer of that metal. It is one of the largest producers of lumber in the world, one of the largest producers of silver, lead and zinc. It owns and operates the only completely equipped electric railroad in this country, the Butte, Anaconda & Pacific, 96 miles long, 64 miles of siding, electrified throughout. It is one of the largest manufacturers of fertilizers in the world, one of the biggest coal mine owners and operators, one of the biggest storekeepers, selling goods to its own work people. It owns tens of thousands of acres of oil lands. It owns tremendous smelting works, great manufacturing works for the production of copper wire, bars and plates, factories for the production of builders' hardware, brass goods, door butts, lock sets, copper roofing, bronze goods, etc. It owns railroads and vast mining properties in South America, in Chili and Peru. It owns stocks of copper mines in Arizona and Mexico. It owns great water works, street railroads, hydroelectric power plants. It is one of the greatest business corporations in the world, a great self-contained organization that has grown up in the last thirty-five or forty years, starting with a miner and a mule on a lonely hill in far-off, bleak Butte, Montana.

John D. Ryan Appears

Some twenty-five years ago a brisk young man hopped off the train at Butte, Montana. He was an oil salesman employed by the Standard Oil Co. Like most salesmen he was a most engaging young man, easy to get acquainted with. His name was John D. Ryan. Butte was then fast becoming a great mining center. Mining machinery uses great quantities of oil. He had been sent to Butte to open up an oil-selling office.

The young oil salesman rented an office in one of the business blocks of Butte, almost directly across the corridor from that of Marcus Daly, one of the original owners of the Anaconda Copper Mine, and the only man that ever really knew all the ins and outs of this Richest Hill in the World.

There is an Irish twang to the name of both Ryan and Daly, and it may have been that Celtic blood found close affinity. Certain it is that in a short time Marcus Daly and John D. Ryan became fast friends. Marcus Daly died years ago. To-day John D. Ryan is the man that knows more about this rich Montana Hill than does anyone else. He is Chairman of the Board of Directors of the Anaconda Copper Mining Co., and is generally recognized as the head of the greatest copper mining corporation in the world.

Oil and copper are products of old mother earth. Both these products, while known from the most ancient times, have come into every day use only within the last thirty years. The development of electricity and the gas combustion engine have brought these products from those used but sparingly by the peoples of the world to the point where modern existence largely depends upon their every day use.

Rockefeller Interests Take Part

It is perhaps only natural that the men who had made such a great financial success out of oil should become fascinated with the possibilities of copper. Some twenty-odd years ago William Rockefeller and H. H. Rogers, two men prominent in the Standard Oil Co., became interested in the Butte mines. Perhaps reports of the wonderful riches of these mines from their alert salesmen in Butte may have had something to do with it. With James Stillman, the elder, at the head of the then so-called Standard Oil Bank, the National City Bank, they determined to go into copper production. They organized the Amalgamated Copper Co., a blind pool in shares of copper producing companies.

How often it happens that able men achieve a striking success in some calling, some business, and then with an accumulation of capital feel impelled to branch out into an undertaking with which they have had no practical experience. Many, many times it happens that such men sustain heavy losses in these outside ventures.

These men went into copper mining with the prestige of Standard Oil suc-

cess back of them. As a matter of strict fact they were the merest tyros in the mining game, and there can be no question but that for a time they were easy marks for more sophisticated operators in the mining field.

For many years Boston had been headquarters for copper mining companies. The great Calumet & Hecla, at that time the premier copper mine of the world, was a Boston enterprise. A party of Boston men had opened up a very rich copper mine at Butte, the Boston & Montana. Tom Lawson was identified with another mine in Butte, the Butte & Boston. Both these mines were sold to the Standard Oil men at absurdly inflated values.

When Standard Oil went into the copper mining game Thomas W. Lawson thrust himself upon the attention of Messrs. Rockefeller, Rogers and Stillman. He announced himself as "in" on the deal, and the newspapers contained loud advertisements signed with his name announcing the formation of the Amalgamated Copper Co., which, he stated, would pay dividends at the rate of 8% from the very start.

Ever maintaining an air of great secrecy and mystery, knowing practically nothing about the mining of copper, the organizers of this gambling pool in copper shares passed on all that they did not know to the public. For a long time Standard Oil prestige was the only real sustaining value back of the stock of the Amalgamated Copper Co.

Amalgamated Copper Slumps

The lumberman who had worked all winter in the woods, suffering cold and hardship, came out of the woods in the spring and in one night spent all his winter's wages. "Ah, well," he said, "Easy come, easy go." Shortly after the flotation of the Amalgamated Copper Co. Mr. Lawson blossomed out as a financier of the front rank. He built a magnificent summer home, Dreamwold. He sailed the seas in a beautiful steam yacht, The Dreamer. Things are not always what they seem, and the Amalgamated Copper Co. at that time was somewhat of a pipe dream. In reality it was then but a flimsy shell, and after the first flush of Standard Oil prestige had worn off it had a violent slump.

Caught in the slump, Mr. Lawson turned and bit the hand that fed him. He launched out into a long tirade called "Frenzied Finance, The Story of Amalgamated Copper," which was published serially in one of the popular magazines. Theodore Roosevelt, then occupying the presidential chair, went on the rampage and had much to say about "malefactors of great wealth."

The gentlemen connected with the Standard Oil Co. found that operating copper mines was far from the sinecure it had looked to be. There were apex laws in Montana and compliant judges who would grant injunctions saying you were trespassing on somebody else's property under the apex law. A young man named Augustus Heinze created a lot of trouble for them. But after all these men were the keenest of business men. With rare skill and with unlimited money back of them they triumphed over every obstacle, and in the end emerged with the larger portion of this Richest Hill in the World in their possession. The Anaconda Copper Mining Company of to-day is the old Amalgamated Copper Co. of yesterday.

The Sheet Brass Industry

Nearly one hundred years ago the first sheet brass was rolled in this country. Brass is an alloy of copper and zinc. By 1830 the rolling of sheet brass had become an established industry, and ever since then the State of Connecticut has produced nearly three-quarters of all the sheet brass made in this country. This industry has been largely controlled by a single corporation, The American Brass Co., which for many years has been the largest individual consumer of copper in the world. This corporation has always enjoyed the highest standing and has been one of the ablest managed and most successful of American business enterprises. In Connecticut live the skilled artisans who know how to make brass and fashion it into lock sets, door butts, lighting fixtures and the many beautiful objects made from brass. These men have settled down in the tight little state of Connecticut and refuse to leave there. But back in 1906 some men from Waterbury, Conn., started a mill to manufacture sheet copper and sheet brass in Buffalo, N. Y. The first few years were bad ones for the new enterprise, due to business conditions and to the difficulties always encountered in organizing a new proposition.

In 1914, when the world war broke out, there was a bright young man in Buffalo selling beef products. At that time the Buffalo Copper & Brass Rolling Mill was in a somewhat shaky condition. He bought it for a nominal sum and lost no time in securing contracts from England, France and Italy for enormous tonnages of copper and brass products. With remarkable energy and skill he built huge additions to the plant. For two and a half years that butcher's boy turned out an average of 15,000,000 lbs. per month of copper consisting almost entirely of discs for drawing cartridge cases, tubing for copper bands, brass rods for fuse parts and sheet copper. It is no exaggeration to state that had the war lasted long enough, and if this country had not been drawn into the war, that smart butcher's boy would have got about all the money in the world. As it was, he managed to grow most comfortably well off, and with his winnings he built one of the finest copper and brass rolling mills in the world, with handsome office buildings, one of the best located and finest industrial plants in the country.

Anaconda Acquires American Brass

But when the United States was drawn into the world war business suddenly ceased for the butcher boy. The demand for copper and brass largely increased, but the butcher's boy from Buffalo couldn't get an order.

The American Brass Co., a long-established, honorable concern that was quite unable to see anything in the war profiteering business, got all the business. The butcher's boy from Buffalo was confronted with the alternative of dismantling his plant and selling it for junk or selling out to the American Brass Company. The American Brass Co. now owns the Buffalo Copper & Brass Rolling Mill, one of the best located and best equipped plants in the world for turning out copper and brass products.

With the rare sagacity which has characterized the management of the Anaconda Copper Mining Company that corporation bought the American Brass Company, and this latter corporation has been absorbed by the Anaconda Company and becomes an integral part of that organization. Never again will the Anaconda Copper Mining Company be confronted with a big accumulation of unsalable copper. For all time it has provided an outlet for its output.

Anaconda has an enviable dividend record, $133.50 per share has been paid on the old stock, a total of $174,731,039. Just now dividends are the substance of things hoped for, the evidence of things not seen. But a better day is dawning. The copper surplus is disappearing like mist before the dawn, and it can be only a question of time when dividends will be resumed by copper-producing companies. If just now Anaconda looks to be some distance from paying dividends, it has in its makeup the incarnation of fat dividends yet to come.

DIVERSIFIED PRODUCTS OF ANACONDA

Raw Material

Copper, Lead and Zinc in all commercial shapes. Also quantities of rare metals, such as Gold, Silver, Platinum and Palladium.

Finished Products

Hot rolled Copper Rods, Bare Copper Wire and Cables of all types, Dry White Lead, White Lead in Oil. (The latter two products are handled by the Anaconda Lead Products Company.)

Fertilizer

Manufactures a fertilizer known as "Anaconda Treble Superphosphate." This material is made from the company's Phosphate Rock deposits in Idaho.

American Brass Company

Anaconda purchased the American Brass Company some months ago. It would require too much space to attempt to enumerate all the products manufactured by the American Brass Company, but it is sufficient to say that they manufacture commercial products for all uses in the following metals:

Copper, Brass, Tobin Bronze, Benedict Nickel and many special products.

Wuxtry! Wuxtry! All About the Examination of North American Banana Official by Samuel Untermyer!

By H. I. PHILLIPS

(Being a stenographic report of the cross-examination of T. Tadbury Spoofus, president of North American Banana Company which has taken over National Slippery Elm Corporation and Non-Skid Products Company.)

Q.—What is your name?

A.—I haven't the slightest idea.

Q.—Do you mean to sit there and tell me you don't know your name?

A.—I decline to answer.

Q.—On what grounds?

A.—On the ground you know darn well what my name is.

Q.—Where do you live?

A.—I don't remember.

Q.—Mr. Chairman, I demand that the witness be instructed to answer the question.

Chairman (coming out of a sound sleep)—I'll play these. Who opened?

Mr. Untermyer (indignantly) — Mr. Chairman, will you kindly come out of the trance and pay attention to this hearing? I demand that the witness be instructed to answer my questions.

Chairman (suddenly regaining consciousness)—The witness will answer the question.

Witness—What was the question?

Chairman—I dunno. But you listen for both of us from now on or I'll fine you for contempt!

Mr. Untermyer (repeating question)—Where do you live?

A.—I really can't tell without looking it up.

Q.—Where do you have to look it up?

A.—I keep my address in the office safe.

Q.—Mr. Chairman, I demand that the witness be instructed to produce the safe here to-morrow morning.

Chairman (just dozing off again)—I'll see you and raise five!

* * *

Q.—You are an official of North American Banana Company, are you not?

A.—I don't remember!

Q.—As a matter of fact you are president of the company?

A.—I can't tell.

Q.—Why not?

A.—I've been away from the office over an hour now and a lot of things can happen in that time.

Q.—Well, you were president when you left the office?

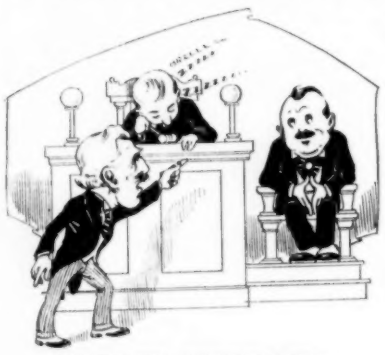
A.—So I understood.

Q.—Now, Mr. Spoofus, we want the facts concerning the merger of North American Banana, Slippery Elm Corporation and Non-Skid Products.

A.—It's a good trick if you do it.

Q.—What's to be the capital of the new corporation?

A.—I can't tell you.



BLISSFUL IGNORANCE

Mr. Untermyer — Don't you know that 10,000 shares were sold yesterday?

President Spoofus, of North American Banana Co.—I don't know what you mean. I am very ignorant of stock market methods.

Q.—Why not?

A.—My lawyer won't let me.

Q.—Aren't there advertisements in the morning papers giving the capital as $2,000,000?

A.—Yes and no.

Mr. Untermyer—Mr. Chairman, please instruct the witness to answer my questions again.

Chairman (blinking eyes sleepily)—Who took the last trick? . . . Oh, beg pardon. . . . The witness must answer the question.

Witness.—What was the question?

Chairman—There you go trying to trap me again! Mr. Stenographer, will you please repeat the question?

Stenographer (who has also been sleeping)—What's that?

Chairman.—Kindly repeat the last question.

Stenographer (shuffling notes and reading)—Is it true that sardines are packed 42 to a can and that in the case of shrimp . . .

Mr. Untermyer (impatiently)—That's a question asked in a civil suit day before yesterday. Read the right question.

Stenographer (reading from another slip of paper)—"At the time the dog bit your son where was the policeman standing?"

Untermyer (in a rage)—Sit down! You've got your notes mixed. The question was: "Didn't the morning papers carry an advertisement giving the capital stock as $2,000,000?"

A.—I wouldn't be surprised.

Q.—Now has any of this stock been issued?

A.—I can't answer.

Q.—Why?

A.—Because I've only been in Wall Street 45 years and don't know a stock issue when I see it.

* * *

Q.—As a matter of fact they're dealing in North American Banana on the curb at this moment, aren't they?

A.—Who?

Q.—The brokers.

A.—I don't know what you mean by "brokers."

Q.—You really don't know what a broker is?

A.—I never heard the word before.

Q.—Well a broker is a man who trades in securities. And these traders are trading North American Banana, aren't they?

A.—Maybe yes and maybe no.

Q.—Don't you know that 10,000 shares were sold yesterday at sixty-four and three-eighths?

Chairman (waking with a start)—Three eights are no good—I've got four kings!

Mr. Untermyer (ignoring the interruption)—Answer the question.

A.—I don't know what you mean by the terms "shares" and "sold." As I told you before I've only been a financier a little over two score years and am very ignorant of stock market methods.

Q.—Do you know what the Stock Exchange is?

A.—I never heard of it.

Q.—Ever hear of a market quotation?

A.—I've heard the expression used but have never looked it up.

Q.—Don't you know that this merger is illegal, that false prices are being created, that the market is being rigged and that the insiders are to reap a big profit?

A.—I don't know what you mean. All I can say is that everything in connection with the merger of North American Banana with National Slippery Elm and Non-Skid Products is absolutely STRAIGHT!

Chairman (coming out of a deep slumber at the last word)—STRAIGHT? IT'S NO GOOD; I GOTTA FLUSH!

(Curtain as Mr. Untermyer rushes from the chamber in search of a financier who has the slightest idea how Wall Street floats a new issue).

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The Guaranty Trust Company is to disburse these funds on presentation of corresponding interest warrants or certificates by its draft on the Bank of Norway for the **full amount** of such interest warrants or certificates in Kroner or, at the option of the holder, in United States Dollars at the then current buying rate of exchange of the Guaranty Trust Company for drafts on Norway.

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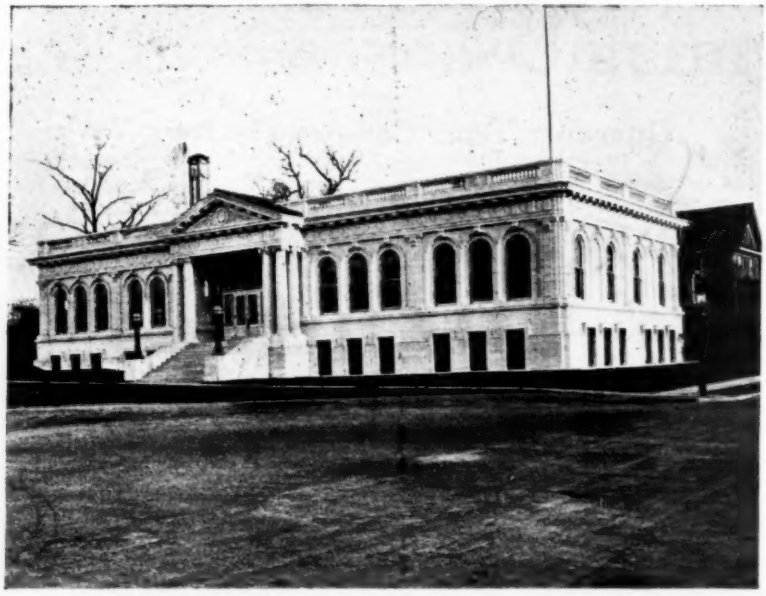
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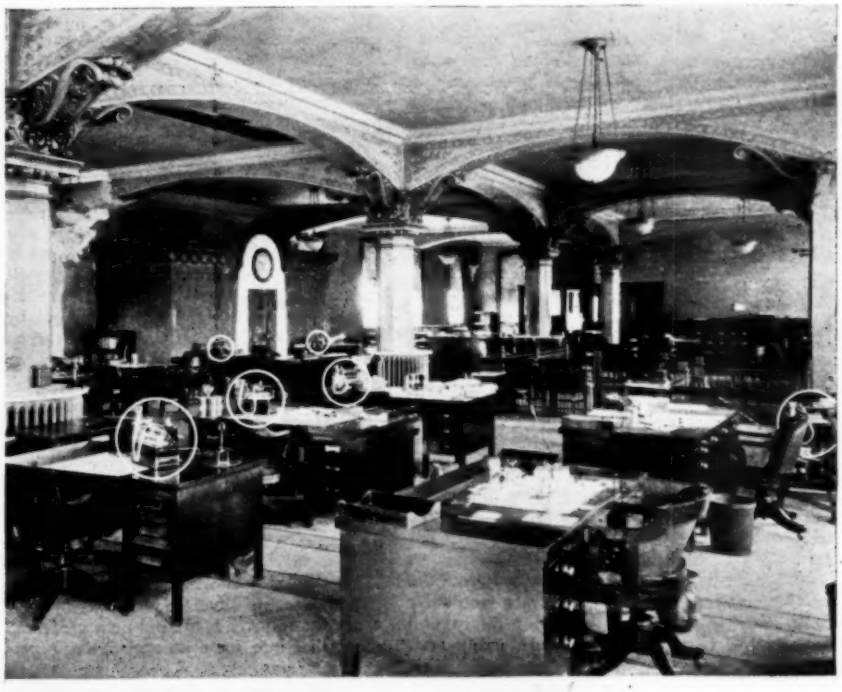
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Intimate Talks With Readers



What "Inside" Information Means — Keeping Margins Good — Bonds and Preferred Stocks as Speculation

Playing Inside Information

We do not know whether it has ever occurred to you, but it seems to us that so-called "inside information" is the great commodity invented to appeal to the cupidity (if not the stupidity) of the man who has some money to burn up, and who might just as well spend it helping to maintain Wall Street as any other way.

Inside information, if such a thing be legitimate, belongs rightfully to the stockholders. It is no more the private property of the president, the directors, or their friends, than it belongs body and soul to the owner of ten shares in the same corportion. *Per sequens*, anyone divulging the secrets of the corporation is giving away his partners' business without the knowledge and consent of his partners, and not for the gain of the latter.

The recipient of an "inside tip" is seldom or never a stockholder! Has *that* ever occurred to you?

If it were really a good thing, the stockholders themselves would never need a second hint to increase their holdings of a corporation that has such favorable alleged developments.

Yet, a corporation will not voluntarily antagonize its own stockholders and partners.

It stands to reason that if it's not good enough for the stockholders to know first, it cannot be good enough for us. Yet the tips materialize sometimes. It is because the speculative pools give out the *obvious* based on long and careful examination of the existing facts (available to anyone), careful study of the known knews (also available), analysis of the possible (anyone can think for himself), and a conclusive jump at the probable. The latter is nine times out of ten the "tip." The clique first on the scene to share the great secret gets in first, and the stock has its initial advance. Their friends are told about it—they buy, and the stock has another move. Friends of the latter get busy, and so the stock gets active. Like a rock thrown into the water, or an electric vibration started on the imponderable ether, the waves spread. By the time the outsider gets his "flash" the wave-lengths, you will have noticed, need a ten-step amplifier to make good. We don't know whether you are a radio fan and understand this analogy, but if you have been depending on inside tips and playing them, our sincere advice is—first take up the study of radio, which is inexpensive and instructive, even on the subject of the market.

More money is lost on "inside" information during a bull market than is made in the aggregate by the speculative public in merely buying and selling on the obvious trend. Sooner or later most people "fall" for an inside tip, and if it is remembered that the very possession of such information is in itself illegitimate—for it belongs to the stockholders—the beneficiary (?) will treat it as he would something contraband or illicit, and not complain if it did him more harm than good.

The Short Interest

The pessimistic crew who sell stocks they don't own in the belief that everything is going to pot and that they will soon be able to buy those stocks back very much cheaper, taken by and large and considered in the aggregate, is known as the "short interest."

Upon the size of the short interest at any one time, the immediate course of prices will depend to a large extent. If it is very small, the assumption is that the market will display very little resiliency in case of bad news; for then there won't be a crowd of people aching for a chance to "buy back" their short contracts at prices below current levels. If the short interest is very large, the assumption is that some very good news will produce a huge demand for stocks, the demand to spring from the fellows who have *got* to buy in their contracts sooner or later, in order to make the promised deliveries, and who don't want to have to reach up to the sky for the purpose.

Keeping Margins Good—Making Good

The customer's word to keep his margins good means nothing more than making good. If a stock margined 20 points drops 5, the customer should offer to put up that additional 5 points because his broker has surely received a call from the bank to meet it. The customer who stays away is "ducking his responsibility and letting George do it." True, many eminent respectable firms do not worry their customers about what they regard as picayune declines and fluctuations: and if they think well of the stock and of the customer, and do not think it "will go down much more" the ordinary brokerage policy under such circumstances has been *laissez-faire*. But, that does not bind the broker to be satisfied in future with 15 points, nor is he legally compelled to carry the stock with 99 points put up provided he gives his customers proper notice.

In every instance that we have been able to investigate where disputes have arisen, it seems clear that while the broker has been held to a proper accounting of transactions, it is not his business nor responsibility to see that the customer keeps his stocks "protected" against decline, or the short-selling customer kept in a safety zone in case of a corner.

A safe rule to follow is:

Learn definitely the requirements of the broker as to margins on stocks of various kinds, from U. S. Steel to Mexican Petroleum, down to General Motors and American Safety Razor. This will range from 15-20 in the case of U. S. Steel to as high as 50 points or more in the case of Mexican Petroleum. GMO and Safety Razor may not be acceptable excepting for cash. But find out. Have an understanding as to what you might expect in case of a severe decline. If you cannot watch the market *every day*, or go away on trips, or go into the hospital on illness, have it understood that a 10 point or even 15 point stop-loss order will be backed up by you in an emergency. Make your margin "good" if one-third of it is wiped out by declines or advances, to existing prices and conditions—regardless of what you planned at the time you originally made your trade. Make no further trade, purchases, or sales if your margins have diminished, or likely to become "thin" by carrying, or selling short too many stocks. Disregard of this rule is responsible for 75% of all losses in Wall Street!

Above all remember—the broker is merely your business friend and agent, and it is your duty to keep in touch with him at all times, and to shoulder *all* the burden and *all* the responsibility.

"Sure Things"

Some people have an idea that because a certain security is a bond or a preferred stock that ipse facto no speculative possibilities are attached. Their theory is that speculative opportunities abound only in the so-called common shares. How misleading this is can be seen from a record of prices of bonds and preferred stocks this year. Without the excitement attached to movements of speculative common stocks these issues have been advancing steadily so that in many cases there have been profits of twenty and thirty points, *without the risks attendant to ordinary speculation*. Those who are out for profits might ponder over this.

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GRAHAM & MILLER

Members New York Stock Exchange
66 Broadway New York

New York Stock Exchange

	Pre-War Period		War Period		Post-War Period					
	1909-13		1914-18		1919-21		1922		Last Sale	Div'd $ per
RAILS:	High	Low	High	Low	High	Low	High	Low	June 29	Share
Atchison	125⅜	90¼	111¼	75	104	76	102	91¾	99¼	6
Do. Pfd.	106¾	96	102⅛	75	89	72	91⅞	85	91½	5
Atlantic Coast Line	148½	102½	126	79⅞	107	77	105½	83	102	7
Baltimore & Ohio	122¼	90⅜	98	88¼	55¼	27⅜	51½	33½	48½	..
Do. Pfd.	96	77¾	80	48¼	59½	38⅛	62	52½	60½	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	145	119⅛	138	10
Chesapeake & Ohio	92	51⅜	71	35⅝	70⅜	46	69¼	54	65½	4
Chicago Great Western	36⅞	1¼	17⅛	6	14½	6¼	10½	5¼	8¼	..
Do. Pfd.	64⅛	28	47½	17⅛	38⅜	14	24½	14½	19½	..
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	17¼	29¾	16½	25	..
Do. Pfd.	181	130½	143	62⅛	76	29½	47	29	41½	..
Chicago & Northwestern	198½	123	136⅞	85	105	60	76⅞	59	74¼	5
Chicago, R. I. & Pacific	..	..	45¾	16	41	22⅝	48¼	30¾	42⅜	..
Do. 7% Pfd.	..	..	94¾	44	89¾	64	98½	83¼	‡93¼	7
Do. 6% Pfd.	..	..	80	35¾	77	54	84⅝	70¼	78¾	6
Cleveland C. C. & St. L.	92¼	34⅞	62⅝	21	61	31⅜	72	54	‡72	2
Delaware & Hudson	200	147½	159½	87	116	83¼	126	106¾	‡120½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	129½	110½	125	6
Erie	61¼	33½	59½	18¾	21¾	9½	18¼	7	14⅝	..
Do. 1st Pfd.	49¾	26⅛	54¾	15⅛	33	15	27¾	11⅛	22	..
Do. 2nd Pfd.	39½	19½	45⅝	13⅛	23¾	10	20¼	7⅞	15⅞	..
Great Northern Pfd.	157⅜	115½	134¾	79¼	100⅝	60	81⅜	70¼	80¾	7
Illinois Central	162½	102¾	115	85¾	104	80⅞	109⅞	97½	103¼	7
Kansas City Southern	50¼	21¾	35⅛	13½	28⅞	13	30¼	22	24	..
Do. Pfd.	75½	56	65½	40	57	40	59½	52¾	55½	4
Lehigh Valley	121¼	62½	87⅛	50⅜	60¾	39¾	67⅜	56⅝	63⅛	3½
Louisville & Nashville	170	121	141⅞	103	122¾	94	122	108	122	7
Minn. & St. Louis	*65	*12	36	6⅞	24½	5⅛	14½	5	11	..
Mo., Kansas & Texas	51⅝	17½	24	3⅛	16⅜	⅝	14	⅝	‡11	..
Do. Pfd.	78¼	46	60	6½	25⅛	2	14¼	1½	‡10	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	25¼	16	‡20¾	..
Do. Pfd.	..	..	64⅞	37½	58¾	33⅜	59¾	43½	52¼	..
N. Y. Central	147⅜	90⅜	114¼	62½	84¼	64⅛	96⅜	72⅜	94¼	5
N. Y., Chicago & St. Louis	109¾	90	90¾	55	65	23¾	82	51⅝	73	5
N. Y., N. H. & Hartford	174¾	65⅝	89	21⅝	40⅞	12	35¼	12⅜	28⅝	..
N. Y., Ont. & W.	55⅝	25½	35	17	27⅜	16	30½	19¾	25⅛	2
Norfolk & Western	119¼	84¾	147⅛	92⅜	112½	84⅛	109¼	96¼	106	7
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	82½	73½	75⅜	5
Pennsylvania	75⅝	53	61½	40¼	48½	32¼	43	33¼	41¾	2
Pere Marquette	*36½	*15	38⅛	9½	33½	12⅛	34⅞	19	30½	..
Pitts. & W. Va.	..	..	40⅜	17¾	44¾	21⅝	39¼	23	35	..
Reading	89⅝	59	115½	60⅛	108	60¾	82⅞	71⅛	73¾	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	57	43	51½	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33¼	59½	45⅞	51½	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	31½	20⅝	27⅜	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	32⅜	20½	27	..
Do. Pfd.	82¾	47½	65⅛	28	49¾	20⅝	50	32⅜	44½	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	93⅜	78⅛	88½	6
Southern Ry.	34	18	36¾	12½	33¾	17⅜	25¾	17⅛	23	..
Do Pfd.	86⅞	43	85¼	42	72½	42	59⅛	45¾	54	..
Texas Pacific	40½	10¾	29½	6½	70½	14	36	24	27	..
Union Pacific	219	137¾	164⅜	101¼	138½	110	142½	125	139½	10
Do. Pfd.	118½	79¾	86	69	74¾	61¼	76⅞	71¼	75¼	4
Wabash	*27⅞	*2	17½	7	13⅜	6⅜	14⅜	6	12	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	34⅜	19⅛	29¼	..
Do. Pfd. B	..	..	32⅞	18	25½	12½	24	12¼	‡20½	..
Western Maryland	*56	*40	23	9¼	15¾	8⅜	13½	8¼	11	..
Western Pacific	..	..	25½	11	40	15	24⅞	18¾	19⅛	..
Do. Pfd.	..	..	64	35	78	51½	64½	51⅝	58¾	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6¼	16½	6	13½	..
INDUSTRIALS:										
Allied Chem.	..	..	..	..	62¾	34	72⅜	55⅛	67⅛	4
Do. Pfd.	..	..	..	..	103¾	83	110	101	‡108	7
Allis Chalmers	10	7⅝	49⅝	6	53⅞	26½	52	37¾	48¼	4
Do. Pfd.	43	40	92	32½	97	67¼	100	86½	94½	7
Am. Agr. Chem.	63¾	33½	106	47¾	113¾	26½	42⅞	29¼	38½	..
Do. Pfd.	105	90	103½	89¼	103	51	70⅛	55¾	64⅛	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49	31¾	‡44	..
Am. Bosch Mag.	..	..	..	..	143⅞	29½	49	31¼	38½	..
Am. Can	47¾	6⅞	68½	19¼	68⅝	21¾	51¾	32½	45½	..
Do. Pfd.	129¼	98	114½	80	107⅝	72	106	93¼	104⅞	7
Am. Car & Fdy.	76½	36½	98	40	151¼	84⅛	169	141	159⅛	12
Do. Pfd.	124¾	107½	119½	100	119	105¾	121	115½	121	7
Am. Cotton Oil	79¼	33½	64	21	67⅛	15⅛	30½	19⅛	‡25¾	..
Do. Pfd.	107½	91	102¾	78	93	35½	61	41	‡50	..
Am. Drug Synd.	..	..	..	..	15⅛	4	6½	4½	5¼	..
Am. Hide & L.	10	3	22½	2½	43⅛	5	17⅜	12	‡13⅜	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142¾	35	73	58	67	7
Am. Ice	..	..	49	8⅞	83½	37	114½	78	103½	..
Am. International	..	..	62¾	12	132¼	21¼	50⅛	38⅛	40½	..
Am. Linseed	20	6⅞	47¾	20	95	17¼	40¾	29⅛	33¼	..
Am. Loco.	74¾	19	98¼	46⅝	117½	58	117⅜	102	110½	6
Do. Pfd.	122	75	109	93	115	96½	118	112	117	7
Am. Safety Razor	..	..	..	..	22	3½	8⅝	3⅝	5⅞	..
Am. Ship & Com.	..	..	..	..	47½	4¾	25⅛	5½	18⅜	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	89¾	29¼	67½	43⅝	58	..
Do. Pfd.	116¾	98¼	118⅞	97	109⅝	63¼	99	86⅛	97¼	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	40⅛	30¾	36½	3
Do. Pfd.	..	..	..	..	96½	78	100	91	‡99½	7
Am. Sugar	136¾	99⅞	126⅜	89⅛	148⅜	47⅜	81¼	54⅛	78¼	..
Do. Pfd.	133½	110	123½	106	119	67½	107	84	‡104½	7
Am. Sumatra Tob.	..	..	145¾	15	120½	28½	47	23¼	39⅞	..
Do. Pfd.	..	..	103	75	105	64¾	71	52¼	‡63	..
Am. Tel. & Tel.	153⅛	101	134½	90⅝	119½	92¼	124½	114½	120¼	9
Am. Tobacco	*530	200	256	123	314½	104⅛	145½	129⅛	‡140	12
Do. B.	..	..	..	..	210	100⅛	142½	126	‡136½	12
Am. Woolen	40⅝	15	60⅞	12	169½	55½	95⅜	78¼	87⅞	7
Do. Pfd.	107¾	74	102	72½	110¾	88½	109	102½	‡107½	7
Anaconda	54⅜	27½	105⅜	24½	77⅞	30	57	47	• 50½	..
At. Gulf & W. I.	13	5	147¾	4½	192⅝	18	43¼	23½	37¼	..
Do. Pfd.	32	10	74¾	9¾	76½	15¾	31¼	16½	26	..
Baldwin Loco.	60¾	36½	154½	26⅝	156¼	62¼	120¼	92¼	111⅞	7
Do. Pfd.	107½	100¼	114	90	111⅞	92	114½	104	114	7
Bethle. Steel B	*51⅛	*18¾	155½	59¾	112	41½	82¼	55½	75⅝	5
Do. 7% Pfd.	80	47	186	68	108	87	101	90⅞	‡96	7
Do. 8% Pfd.	..	..	110½	92½	116	90	116⅜	104	114½	8
Calif. Packing	..	..	50	30	87½	48¼	80⅞	68	77	6
Calif. Petro.	72½	16	42¾	8	56¾	15¾	71⅞	43¾	60¼	..

Price Range of Active Stocks

	Pre-War Period		War Period		Post-War Period					
	1909-13		1914-18		1919-21		—1922—		Last Sale	Div'd $ per
	High	Low	High	Low	High	Low	High	Low	June 29	Share
INDUSTRIALS—Continued:										
Calif. Petro. Pfd	95½	45	81	29½	88	63	88½	83	‡94	7
Central Leather	51¾	16½	122	25⅜	116½	22⅛	41⅝	29⅜	37½	..
Do. Pfd	111	80	117½	94⅞	114	57⅛	74⅜	63⅛	‡69¼	..
Cerro de Pasco	..	..	55	25	67½	23	40⅞	32¼	34½	..
Chandler Mot	..	..	109⅞	56	141¼	38¼	79¼	47¾	68¼	6
Chile Copper	..	..	39¼	11¼	25¼	7¼	23⅛	15⅛	20	..
Chino Copper	50⅜	6	74	31⅜	50⅞	16⅜	33⅜	25⅜	28⅜	..
Coca Cola	..	..	..	..	43⅝	18	72¼	41	68½	4
Colum. Gas & E	..	..	54⅛	14¼	69	39¼	89⅞	64⅛	86¼	6
Columbia Graph	..	..	*166	*97	75¼	2⅜	5¼	1¼	4¼	..
Consol. Cigar	..	..	..	..	80	13½	38½	18⅜	38½	..
Consol. Gas	165¼	114½	150½	112½	106⅜	71¾	123½	85	114½	7
Corn Prod	26½	7⅜	50½	7	105¼	46	108¼	91¼	101⅜	6
Do. Pfd	98½	61	113½	58⅛	112	90	118½	111	‡114	7
Crucible Steel	19⅜	6½	109⅜	12¼	278½	49	77⅛	52¼	72½	..
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	19¼	8⅛	15¼	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	107⅛	27⅛	14½	23	..
Fisk Rubber	..	..	..	..	55	8¾	19½	11¼	15	..
Freeport Tex	..	..	70½	25⅜	64⅜	9½	26⅞	12¼	23	..
Gen'l Asphalt	42⅞	15½	89⅜	14¼	160	32½	68	55⅛	65¼	..
Gen'l Electric	185½	129¾	187¼	118	176	109½	168	136	165¾	8
Gen'l Motors	*51¾	*25	*850	*74½	42	9¾	15	8⅛	13⅞	..
Do. 6% Pfd	..	..	99½	72¾	95	63	83½	69	83½	6
Do. 6% Deb	..	..	..	..	94¾	60	84	67¾	83½	6
Do. 7% Deb	..	..	..	..	94	69	97	79½	96	7
Goodrich	86½	15½	80¼	19¾	93⅜	26⅝	44⅞	34½	39	..
Do. Pfd	109¾	73⅜	116¾	79⅞	109½	62½	91	80½	‡86⅛	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	45⅝	31⅜	38½	4
Houston Oil	25½	8¼	86	10	116½	40½	85	70	74½	..
Hupp Motors	..	..	11¾	2½	23¼	4⅝	21½	10⅞	19	1
Inspiration	21⅝	13⅞	74¾	14¼	68⅞	28	45	37½	39¼	..
Inter. Mer. Marine	9	2⅛	50⅞	⅝	67⅜	7⅛	27½	13¼	18½	..
Do. Pfd	27⅝	12½	125⅝	8	128½	36	87⅜	62¼	72¼	6
Inter. Nickel	*227¼	*135	57½	24½	33⅜	11⅛	19⅜	11¼	16⅛	..
Inter. Paper	19¾	6½	75½	9½	91¾	30¼	54⅛	43½	45½	..
Invincible Oil	..	..	..	..	47⅛	5½	20¼	12⅞	15	..
Island Oil	..	..	..	..	7⅝	2	3	⅝	1	..
Kelly Springfield	..	..	85¼	36⅞	164	25½	53⅜	34⅛	46⅜	..
Do. 8% Pfd	..	..	101	72	110⅜	70¼	107¾	90½	100	8
Kennecott	..	..	64⅛	25	43	14⅝	39⅝	25½	33	..
Keystone Tire	..	..	46½	11	126⅜	8¾	24⅜	14	15⅛	..
Lackawanna Steel	55½	28	107	26½	107¾	32	81⅝	44	72½	..
Loews, Inc	..	..	..	..	38⅜	10	18⅜	11	14⅝	..
Loft, Inc	..	..	..	..	28	7¾	14⅛	9	‡12½	1
Mexican Pet	90½	41¾	129⅝	46½	264	84½	204½	106⅛	178	12
Miami Copper	30¼	12¾	49⅞	16½	32⅜	14⅝	32⅛	25⅜	27⅞	2
Middle States Oil	..	..	..	..	71⅜	10	16	11⅝	13½	1.20
Midvale Steel	..	..	98½	39½	62¼	22	45½	27⅛	32⅞	..
Nat'l Lead	91	42½	74⅛	44	94½	63½	96⅝	85	94	6
N. Y. Air Brake	98	45	186	55⅞	145¾	47½	80	57	‡73	..
N. Y. Dock	40¼	8	27	9¼	70¾	16¼	46	28	39⅜	2½
North American	*87⅞	*60	*81	*38⅞	46	32¼	68	44⅛	61¾	5
Do. Pfd	..	..	..	..	41½	31⅞	44⅞	38	42	3
Pacific Oil	..	..	..	..	50⅜	27½	69⅜	44⅜	54	3
Pan. Amer. Pet	..	..	70¾	35	140¼	38⅛	86½	48⅞	78¼	6
Do. B	..	..	..	..	111¾	34⅛	82½	44	72	6
Philadelphia Co	59¼	37	48⅞	21½	48	26½	40½	31½	37⅝	3
Phillips Pet	..	..	..	..	44½	16	59¼	28¼	47¾	2
Pierce Arrow	..	..	65	25	99	9¾	24⅝	13⅛	15¼	..
Do. Pfd	..	..	109	88	111	21	49	27⅞	36⅜	..
Pittsburgh Coal	*29¾	*10	58¾	37½	74⅝	45	68	58⅞	63	5
Pressed Steel Car	56	18½	88¼	17¾	113¾	48	83¼	63	‡75	..
Do. Pfd	112	88½	109¼	69	106	83	100⅞	91	‡95	7
Punta Aleg. Sug	..	..	51	29	120	24¾	53¼	30¾	47	..
Pure Oil	..	..	143⅞	31⅞	61⅞	21½	38⅝	29½	30½	2
Ry. Steel Spg	54½	22¼	78½	19	107½	67	104¾	94	‡100	8
Do. Pfd	113¾	90¼	105½	75	112	92½	115¼	108⅛	‡109	7
Ray Cons. Cop	27½	7½	37	15	27½	10	19	13½	16	..
Replogle Steel	..	..	..	..	93½	18	41	25½	30	..
Republic I. & S	49½	15¾	96	18	145	41⅛	78⅝	46¼	69⅞	..
Do. Pfd	111¼	64½	112⅝	72	106⅜	75¼	95⅜	74	92⅞	..
Republic Motors	..	..	77	31	74½	5	14½	4½	10⅝	..
Royal Dutch N. Y.	..	..	86	56	123⅛	40½	67	47⅛	58	5.20
Shell T. & T.	..	..	..	..	90¼	30⅞	48½	35⅜	40⅛	.83½
Sinclair Con. Oil	..	..	67⅛	25⅛	64¼	16½	38⅛	18⅛	31¼	2
Sloss Shef. Steel	94¼	23	93¼	19½	89	32½	54½	34½	141	..
Stand. Oil N. J.	*448	*322	*800	*355	212	124½	198½	169	181½	5
Do. Pfd	..	..	..	..	114½	100⅛	116⅜	113⅛	116¼	7
Stromberg Carb	..	..	45¼	21	118¼	22⅜	59⅛	35¼	46	..
Studebaker	49½	15¼	195	20	151	37¾	131⅞	79⅛	126⅛	7
Do. Pfd	98¼	64½	119½	70	104½	76	118	100	116	7
Superior Steel	..	..	96	30¼	60	26	39½	26	‡30½	..
Tenn. Cop. & Chem	..	..	21	11	17¼	6¼	12¾	9¼	10⅛	..
Texas Co	144	74½	243	112	57¾	29	50½	42	46½	3
Tex. Pac. C. & O	..	..	..	..	195	15¾	32¾	23	26⅛	1
Tobacco Prod	145	100	82¾	25	115	45	84¼	57¼	80½	6
Transcontl. Oil	..	..	..	..	62⅝	5⅝	20⅛	7½	13¼	..
United Fruit	208½	126½	173	105	224⅞	95¾	148	119¼	139¼	8
Un. Retail Stores	..	..	..	..	119¼	45¾	71¼	43¼	66	..
U. S. Food Prod	41⅝	9¼	64¾	8½	91⅜	8½	10⅛	2¾	8½	..
U. S. Ind. Alco	67¼	24	171½	15	167	35⅛	60	37	53¼	..
U. S. Rubber	69½	27	80½	44	143¾	40½	67½	51⅝	62½	..
Do. Pfd	123½	98	115¼	91	119½	74	106	99	‡105½	8
U. S. Smelt. & R	59	30⅛	81½	20	78¼	26	45¾	32¾	40	..
U. S. Steel	94⅞	41¼	136⅜	38	115½	70⅛	103¼	82	97⅞	5
Do. Pfd	131	102½	123	102	117½	104⅛	120¼	114¼	120½	7
Utah Copper	67½	38	130	48½	97½	41½	69¼	60⅝	62⅛	2
Vanadium	..	..	..	..	97	25½	53	30¼	43⅛	..
Va.-Caro. Ch	70⅜	22	60¼	15	92½	20¾	36⅞	27½	30	..
Do. Pfd	129½	62	115¾	80	115⅞	57¾	82	65½	66	..
Western Union	86¼	56	105½	53⅛	94	76	99½	89	96⅛	7
Westinghouse Mfg	45	24¼	74⅞	32	59⅞	38⅞	64	49⅛	59¼	4
White Motors	..	..	60	30	86	29¼	51¾	35⅛	48¼	4
Willys Overland	*75	*30	*325	15	40¼	4⅝	10	4½	8⅛	..
Wilson Co	..	..	84¼	42	104⅞	27½	49⅜	27⅛	‡39¼	..
Woolworth	177⅜	76¼	151	81½	139¾	100	167¾	127	157	8

* Old stock. ‡ Bid price given where no sales made.

W&T

CHESAPEAKE & OHIO RAILWAY CO.

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FELLOWES DAVIS & CO.

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INQUIRIES ON INDUSTRIAL SECURITIES

(Continued from page 357)

erably higher prices, it might be well for you to hold it awaiting further development.

UNION BAG & PAPER
Working Close to Capacity

In your issue of Dec. 10, 1921, you analyzed Union Bag & Paper and your conclusion was that it had turned the corner and was a good speculative investment. With the stock now selling at 65, what is your present opinion? What are the chances of the 6% dividend being maintained?—P. W. J., Ridley Park, Pa.

The Union Bag & Paper Co. now has outstanding, as shown by the balance sheet recently issued, funded debt of $6,630,000 and $14,977,850 capital stock. Operations for 1921 resulted in deficit of $1,888,264 after payment of dividends, but last year was a period of adverse conditions in all lines of industry and it is now reported that, with the exception of one mill, the plants of the corporation are working at capacity. With the improvement in business conditions, it would seem that this company should be able to take care of its 6% dividend disbursements. The stock at present prices looks attractive as a semi-speculative investment.

HAVANA DOCK BONDS
Holds 1st Mortgage 5s

I hold a few first mortgage 5% bonds due 1937 of the Havana Dock Corporation. A new issue of first collateral lien 7% bonds was put out last year on which interest and sinking fund has been regularly paid. The interest on the bonds I hold has been regularly paid but I understand the sinking fund provisions have not been complied with. I would greatly appreciate an explanation from you of this matter as I do not understand why my bond, a first mortgage, is not as well taken care of as the new issue.—R. J. H., New York City.

The 1st collateral lien 7% bonds were issued for the purpose of providing funds for the construction of a third pier and buildings leased to the United Fruit Company for a period of 16 years. Semi-annual rental payments by the United Fruit Co. direct to the Trustee must be made during the life of these bonds irrespective of the carrying out of the terms of the lease by the Docks Co. or of any other conditions whatsoever. These payments will retire all but $99,000 of the $3,300,000 issue before maturity 1937. This special provision assures the 7s the payment of interest and sinking fund and places them in a somewhat stronger position than the 1st 5s. The $3,400,000 1st 5s are a first mortgage on all the property of the company which, however, becomes the property of the Cuban Government in 1955. Sinking fund arrears amount to $400,000.

RADIO CORPORATION
Would Wait for Reaction

Please give me what information you have on Radio. I am interested in the common stock. Would you buy it now?—N. P. O., South Bend, Ind.

Radio Corporation has the monopoly of transmission of long-distance Radio messages in this country and is also the selling agent for all radio apparatus manufactured by Westinghouse Electric Mfg. Co., the Western Electric Co. and the General Electric and is making good profits we understand, from this end of the business. We regard the company as having a very promising future but for some time profits are likely to be put back into the property for extension and improvements rather than paid out in dividends. The great publicity given to Radio recently has caused very heavy buying in this stock and it advanced recently to $6. That this buying was somewhat overdone is indicated by the reaction to present prices. We regard the stock as having good long-pull possibilities but in our opinion it would be advisable to wait for further reaction around 3½ or 3¼ before purchasing. The preferred stock around 3¼ looks like a good speculation for the long pull as this stock is entitled to 7% on a par value of $5 and becomes cumulative January 1, 1924. If you would be willing to hold this for some time, we believe you will get close to 5 for it.

MEXICAN SEABOARD
Voting Trust Certificates

I wish you would explain the difference between Mexican Seaboard stock and the voting trust certificates. As the v.t.c. sell from two to three points lower, was wondering if it might not be advisable to switch the stock I hold into them. What is your opinion on this?—Kewanee, Ill.

The only difference between the Mexican Seaboard stock and the voting trust certificates is that the former has voting power and the latter has not. In two years the voting trust will expire and the certificates will then be exchanged for stock. There is no reason, on the basis of value, why the certificates should sell several points under the stock and in our opinion it would be advisable for you to switch into the certificates and take advantage of the two or three points spread.

WESTINGHOUSE AIRBRAKE
Attractive Equipment Issue

I am the holder of 100 shares of Westinghouse Airbrake stock purchased at considerably higher levels. Would you advise holding this stock or taking my loss and perhaps switching into something else?—B. T. S., Pittsburgh, Pa.

While Westinghouse Airbrake may be subject to fluctuations, due to technical market conditions, we would not advocate taking a loss therein.

Westinghouse Air Brake Company's report of operations for 1921 showed net income of $705,546 after inventory adjustment amounting to $706,944 but, $4,081,474 in dividends having been distributed, resulting in a deficit for the year of $3,375,928. The reduction of the dividend from $1.75 to $1 quarterly resulted in a substantial recession in the price of the stock. However, an examination of the company's balance sheet shows an unusually strong position, working capital being around $18,000,000 excluding consideration of its investment account of around $9,000,000. In view of the finan-

cial strength of the company and the improved conditions confronting the transportation lines, which it is natural to believe will result in their being in the market for equipment manufactured by this company, we are of the belief that the stock has discounted adverse earnings for the past year and around present levels can be considered as having good speculative possibilities.

WHERE THE TREASURY STANDS

(*Continued from page* 330)

as it then stood would add to the predicted treasury deficit for the fiscal year 1923—which has since been estimated at $484,000,000—the further burden of a cash outlay in the next two years of not less than $850,000,000. It also said that while the Treasury has hoped to carry on its refunding operations without interference with business or disturbance to the investment markets, an increase of the public debt would bring new factors into the problem. 'Treasury offerings,' says the letter, 'would then take up new money, and there would be danger of inflation, of higher rates for money, and of strain on the investment markets, with consequent prejudice to the Government's own inevitable refunding operations and to business and industry generally.' Consequently, it is concluded that the bonus must be met through additional taxation to the amount of $850,000,000 in the first two years although 'the taxes already in force are too onerous for the country's good, and are having an unfortunate effect on business and industry.' This letter also made it clear that no matter how deferred or shaped, as, for instance, paying the bonus from repayments of the foreign loans, will have to be borne by the taxpayers in the long run.

"The letter of March 11, written after the form of the bill had been changed and the plan of evading large immediate cash outlays by means of service certificates acceptable for loans at national banks had been incorporated, likewise opposed any legislation that adds to Treasury burdens at this time. The loan plan was objected to as 'a dangerous abuse of the Government's credit, for it contemplates the issue of a vast amount of Government obligations which are non-negotiable and have no present realizable value unless pledged with banks, in which event the obligations become, in effect, two or three-year notes, which the Government would be obliged to pay off in 1925 upon default by the veterans. **This practically means that cash payments on adjusted service certificates would be financed for the next three years through a forced loan from the banks.** The estimates made in the last letter were that whatever form the bonus might take, it would require between $300,000,000 and $400,000,000 for the next three or four years; and thereafter might require over $200,000,000 a year until 1943. If such a burden had to be met, it was insisted that it should be through an accompanying provision for additional taxation."



July is a good investment month—may we help you select good investments?

BANKS seeking good investments for their own funds or to sell to local investors will be interested in The Equitable's July list of offerings.

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Current Bond Offerings

THE close of the half-year period involving re-investment of dividend and interest payments due at that period, encouraged considerable activity among investment bankers who found the time opportune for the issuance of large blocks of securities. An additional element in impelling renewed activity along these lines was the reduction in the New York Federal Reserve Bank rediscount rate to 4%. Indicating, as it did, prospects for continued ease in the money market, this has encouraged investors to take advantage of the still relatively favorable opportunities afforded by new bond offerings.

During the past two weeks state, municipal and railroad issues were in the largest volume. Indeed, the volume of new offerings of municipal and state issues has kept pace with that seen at any time this year. The average yield offered by these new issues is about 4.30%, although a few issues were offered above and below this level. Average yields on new railroad issues, for the most part equipment trusts, are about 5¼ % comparing with rates of 7% two years ago.

Public utility issues seem established on a 6% coupon rate basis with offered yields somewhat higher. Industrial issues are offered at no better than 7% with an average of slightly over 7%. It is evident that both these classes still are offered at rates considerably higher than those in the money market itself.

There was comparatively little foreign financing, the absorption point evidently having been reached for the time being. Unsettled conditions abroad are also having their effect on reducing the amount of new foreign issues.

Up to the present time there has been little indication of lessened desire on the part of the public to participate in these new issues. Money conditions still continue favorable and investors are anxious to secure good bonds at favorable rates.

NEW BOND OFFERINGS

STATE AND MUNICIPAL

	Amount	Yield Off'd (%)
State of N. Carolina.	$9,000,000	4.40-4.35
Newark, N. J.	1,500,000	4.20-4.15
Jersey City, N. J.	3,073,000	4.00-4.25
Richmond, Va.	1,750,000	4.25-4.50
Chicago, Ill.	1,500,000	3.95-4.00
FOREIGN		
San Juan, P. R.	3,335,000	4.50
Kingdom of Norway.	12,500,000 kr.	6.00
RAILROAD		
B. & O. eq. tr.	1,502,800	5.00-5.70
N. Y. Cen. eq. ctfs.	27,645,000	5.00-5.30
C. M. & St. Paul eq. ctfs.	8,085,000	5.00-5.40
PUBLIC UTILITY		
Columbus Elec. & Pr. Co.	1,500,000	6.25
Kansas El. Pr.	3,000,000	6.30
West Penn. & Co.	2,500,000	6.75
INDUSTRIAL		
Beaver Products Co.	3,000,000	7.50
N. Y. Steam Co.	5,000,000	6.50

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THIS PARADOXICAL OIL SITUATION

(*Continued from page 366*)

has already taken over one of the largest independents; and is now credibly reported to be negotiating for the absorption of the largest producer of high-grade oil in this country. Other former subsidiaries, as well as larger independents, have followed the same plan.

In this new policy, more especially in its actual working out, the writer sees the explanation of the oil paradox of today. Prices stay up in the face of the largest supplies of refined and crude the country has ever known because, today, those supplies are in the hands of corporations able and equipped to hold them. The price-breaking independent seems to be a thing of the past.

PRICE RANGE OF REPRESENTATIVE OIL SECURITIES IN 1922

	Div'd.	High 1922	Low 1922	Last
Associated Oil...	6	135½	99	120
Barnsdall "B"...		39	19¼	29
Caddo Central...		15⅛	10¼	11½
Calif. Petroleum...		71⅞	43⅛	61¾
Cosden & Co.....	2½	53¼	31⅝	48½
Marland Oil....	4	46¾	22⅝	44¾
Mex. Petroleum.	12	186½	106¾	183½
Middle S. Oil...	1.20	16	11⅝	14½
Phillips Petrol'm	2	59¼	28¼	53⅛
Pierce Oil.....		12	7	8⅛
Producers & Ref.		50	24½	42½
Pure Oil.....	2	38⅝	29½	31⅛
Royal D. (N. Y.)	5.20	67	47¼	60⅝
S. O. California.	4	121	91¾	108
S. O. N. J.....	5	198¾	169	186¾
Texas Co.....	3	50½	42	47⅞
White Oil.....		11⅜	7½	8⅛
Average		69	46½	62⅛

Reaction Likely

The writer does not intend to convey that crude-oil prices are permanently *pegged* at present levels. On the contrary, he would not be surprised if the laws of supply and demand asserted themselves before much longer and caused some slight reactions, at least. However, the dominant factors which now hold the major part of the crude-oil supplies above ground have little to fear from such a development. They are all abundantly supplied with cash; they could keep their high-priced crude in storage and run current operations on low-priced crude until the price had recovered.

Meanwhile, it appears evident that the future holds few, if any, opportunities for the small oil company or the badly managed company. To a greater extent, perhaps, than ever before, the situation calls for aggressive strength and ample financial resources. Established and well-rounded organizations have little to fear, but the day of the hanger-on seems definitely past.

CONVERTIBLE BONDS

Convertible bonds have always formed a popular medium of investment and this is especially true at the present time.

Since, in many cases, both stock and bond characteristics are combined lower interest rates and advances in the stock market each have a vital influence upon these issues.

In the 1922 edition of our Convertible Bond Booklet is given a list of the most important convertible bonds with their conversion privileges, as well as a discussion of the characteristics of this type of security.

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The Market Outlook

Has the advance in stocks been definitely halted?

In our current circular we express our views in detail upon this subject and indicate what in our opinion is likely to be the general trend of the market during the next few months. We also discuss the present position of various groups of issues—such as railroad, steel, rubber, oil and coffee stocks.

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UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Asked Price	Yield
Bronx Gas & Electric Co. First 5s, 1960 (a)	85 bid	6.00
Buffalo General Electric First 5s, 1939 (c)	99½	5.15
Canton Electric Co. First 5s, 1937 (b)	94	5.42
Cleveland Electric Ill. Co. 5s, 1939 (b)	98½	5.10
Cleveland Electric Ill. Co. 7s, 1935 (a)	98½	5.12
Denver Gas & Electric Co. First 5s, 1949 (c)	95	5.45
Duquesne Light Co., Pittsburgh, 7½s, 1936 (b)	107	6.45
Evansville Gas & Electric Co. First 5s, 1932 (a)	95	5.90
Kansas Elec. Utility First 5s, 1925 (c)	82 bid	10.50
Indianapolis Gas Co. 5s, 1952 (a)	87½	5.90
Los Angeles Gas & Electric Gen. 7s, 1931	105	6.30
Louisville Gas & Elec. Ref. 7s, 1932, 1923 (c)	102	5.38
Nevada-Cal. Electric First 7s, 1946 (c)	97	6.25
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941 (c)	103	7.30
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929 (a)	94	6.05
Peoria Gas Electric 5s, 1923 (a)	99	6.05
Rochester Gas & Electric Corp. Series B 7s, 1946 (b)	107	6.58
San Diego Cons. G. & El. First Mtge. 5s, 1939 (a)	87	6.40
San Diego Cons. G. & El. First Mtge. Ref. 6s, 1939	95	7.10
Standard Gas & Electric Conv. S. F. 6s, 1926 (b)	96	7.20
Standard Gas & Electric Secured 7½s, 1941 (c)	100	7.50
Syracuse Gas Co. First 5s, 1946 (a)	94	5.32
Twin-State Gas & Electric Ref. 5s, 1953 (c)	80	6.50

POWER COMPANIES

Adirondack P. & Lt. First & Ref. 6s, 1950	99⅛	6.15
Adirondack El. Power Co. First 5s, 1962	95	5.35
Alabama Power Co. First 5s, 1946 (a)	91	5.70
Appalachian Power Co. First 5s, 1941 (a)	88	6.00
Calif. Oregon P. Co. First & Ref. 7½s, Series A, 1941 (c)	104	7.10
Cent. Maine P. Co. First & Gen. Mtge. 7s, Series A, 1941	103	6.72
Cent. Maine Power Co. 5s, 1939 (a)	96	5.12
Cent. Georgia Power Co. First 5s, 1938 (c)	89	6.15
Columbus Power Co. (Georgia) First 5s, 1936 (a)	94	5.62
Colorado Power Co. First 5s, 1953 (c)	89	5.85
Consumers Power Co. (Mich.) 5s, 1936 (a)	95½	5.60
Electric Dev. of Ontario Co. 5s, 1933 (b)	94½	5.65
Great Northern Power Co. First 5s, 1925 (a)	89	6.30
Great West. P. Co. First & Ref. 7s, Series B, 1950 (a)	105	6.60
Great West. P. Co. 5s, 1946 (a)	92½	5.60
Hydraulic Power Co. First & Imp. 5s, 1951 (b)	97	5.20
Idaho Power Co. 5s, 1947 (a)	92	5.60
Kansas City Power & Lt. 6s, 1940 (c)	106	7.40
Kansas City Power & Lt. First 5s, 1944 (c)	95	5.42
Laurentide Power Co. First 5s, 1946 (b)	94	5.65
Madison River Power Co. First 5s, 1935	99	5.13
Mississippi River Power Co., First 5s, 1951 (c)	93	5.40
Niagara Falls P. Co. First & Cons. Mtge. 6s, 1950 (b)	100	6.00
Ohio Power First & Ref. 7s, 1951 (c)	104	6.65
Penn. Ohio Power & Lt. Notes 8s, 1930 (c)	101	7.80
Potomac Electric Power Gen. 6s, 1923 (c)	101	4.90
Puget Sound Power Co. First 5s, 1933	95	5.60
Salmon River Power First 5s, 1952 (c)	95	5.30
Shawinigan Water & Power Co. First 5s, 1934 (b)	100	5.00
Southern Sierra Power Co. First 6s, 1936 (c)	96	6.37
S. W. Power & Lt. First 5s, 1943 (c)	87½	6.12
West Penn. Power Co. First 7s, 1946 (c)	105	6.60

TRACTION COMPANIES

Arkansas Valley Ry. L. & P. First & Ref. 7½s, 1931 (b)	100	7.50
American Light & Traction Notes 6s, 1925 (c)	107	3.30
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940 (a)	73	7.80
Danville, Champ. & Decatur 5s, 1938 (a)	85	6.25
Georgia Ry. & Power 5s, 1954 (b)	89	5.65
Kentucky Traction & Terminal 5s, 1951 (a)	77	7.00
Knoxville Ry. & Light 5s, 1946 (b)	85	6.20
Milwaukee Light, Heat & Traction 5s, 1929 (a)	97	5.50
Milwaukee Elec. Ry. & Light 7s, 1923 (c)	102	4.93
Milwaukee Elec. Ry. & Light 7½s, 1941 (b)	103	7.20
Monongahela Val. Trac. Co. Gen. Mtge. 7s, 1923 (c)	100	7.00
Memphis St. Ry. 5s, 1945 (a)	80	6.70
Northern Ohio Trac. & Lt. 6s, 1926 (c)	99	6.20
Nashville Ry. & Light 5s, 1953 (a)	94	5.40
Portland Ry. P. & L. 1st & Ref. Ser. "A" 7½s, '46 (c)	105	7.10
Topeka Ry. & Light Ref. 5s, 1933 (c)	85	6.80
Tri-City Ry. & Light 5s, 1930 (c)	91	6.25
United Light & Rys. Ref. 5s, 1932 (c)	84	7.25
United Light & Rys. Notes 8s, 1930 (c)	104	7.05

TELEPHONE AND TELEGRAPH COMPANIES

American Tel. & Tel. 3-Year 6s, 1922 (c)	101	4.50
American Tel. & Tel. 5-Year 6s, 1924 (c)	101½	5.15
Bell Tel. Co. of Canada 1st 5s, 1925 (b)	98¼	6.50
Bell Tel. Co. of Canada 1st 7s, 1925 (b)	104	5.65
Bell Tel. Co. of Pa. 1st Refund. 7s, 1945 (c)	109	6.10
Chesapeake & Potomac Tel. Co. Va. 1st 5s, 1943 (c)	95	5.30
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936 (c)	95	5.52
Western Tel. & Tel. Co. Coll. Trust 5s, 1932 (b)	97	5.35

* Investors should note that the "asked" price on a bond may vary from 1 to 5 points from the "bid," depending upon the activity of the security.

PHILADELPHIA CO. 6S

Company Showing Good Earnings Statements—The 6s Appear Attractive for Long-Term Investment.

A HIGH grade investment bond with fairly long-term maturity, showing a yield of approximately 6¼%, is offered by the First Refunding & Collateral Trust 6s, Series A, of Philadelphia Company, due in 1944. Bonds are a first mortgage on the company's gas properties.

Philadelphia Co. is one of the old-time public utility properties which has shown over a period of thirty years that its earnings are stabilized. During this period it has never failed to pay dividends on the common stock. Last year was the poorest in a decade, due to the stagnation of industry in the Pittsburgh district in which it operates, and this resulted in earnings of slightly less than dividend requirements. The important thing is that this year earnings have shown remarkable improvement. Table showing earnings for April and four months of this year to April 30, follows:

April gross.....	$1,117,190 inc.	$259,679
Net after taxes.....	505,547 inc.	274,715
Four months' gross....	5,220,759 inc.	359,958
Net after taxes.....	2,629,910 inc.	764,548

The 6% bonds are listed on the New York Stock Exchange, affording a good market and at current selling prices of 97½ show a yield of 6.2% to maturity. They are recommended for investment.

United Light & Railways

Earnings statement of United Light & Railways Co. for twelve months to May 31 last, shows that the company is making good progress toward better earnings. Statement shows that, despite a falling off in gross earnings of almost a million dollars, company nevertheless was able to show a moderate increase in net available for interest on funded debt. The falling off in gross was occasioned by the poor business situation generally throughout the country. At present both gross and net are the best in four years.

Statement for twelve months to May 31, 1922, shows gross of $11,201,934, compared with $12,201,934 for the previous twelve months. Net available for bond interest and other fixed charges amounted to $3,475,353 against $3,256,964, while net after dividends amounted to $933,001 against $766,242. The company operates middlewest, principally in Iowa and Illinois.

Both the Refunding 5% bonds of 1932 and the 8% notes of 1930 show a relatively high yield at current market prices. Both issues are not seasoned, but can be classed as fair investment propositions, and the high yield should make them attractive. The 5s of 1932, selling at 84, show a yield of 7.25 if held to maturity, while the 8% notes, selling at 104, show a yield of 7.05%.

Company is now planning a readjustment of its capitalization, but this will affect only the stock issues, leaving the bond issues unaffected. The bonds, of course, are still in the speculative class, but should eventually attain a higher rating.

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FOREIGN TRADE AND SECURITIES

(Continued from page 337)

sued by the Chamber of Commerce of the United States says that the debts of the Allies to the United States alone are substantially greater than the present available gold stocks of the world, and that the bare interest payments due the United States in one year would require nearly 30 per cent of the gold stocks of the allied governments.

Before going further with this discussion it might be well to examine the ledger and see what is the nature and distribution of these great governmental debts. The official statement of the United States Treasury concerning this matter, as of June 1, reveals the following facts:

Of the combined original principal amounts, of $10,102,707,271.76, the war loans proper, made under the authority of Liberty bond acts, total $9,434,774,829.24. These are all 5 per cent interest obligations, and the interest is supposed to be payable semi-annually. To these loans are to be added various debits, on account of surplus military supplies sold by the Army and Navy to different nations, that amount to $574,673,710.21, also at 5 per cent. France with about $407,000,000 is the principal debtor in this category, and Great Britain does not appear in it at all. Next we have the obligations received by the Treasury from the American Relief Administration, which amount to a little more than $83,000,000. Only Armenia, Czechoslovakia, Esthonia, Finland, Latvia, Poland and Lithuania appear in this list. Finally, we have the obligations held by the United States Grain Corporation for foodstuffs supplied to Armenia, Czechoslovakia, Austria, Hungary and Poland, amounting to about $57,000,000. The official statement shows that of the twenty nations that are our debtors in these three categories, Cuba is the only one that pays interest when due. Out of a total interest account of more than $2,000,000,000 only $493,006,089.28 had been paid up to June 1, and most of that was in the nature of bookkeeping adjustments in which counter charges of various kinds were credited against interest due.

If the interest should go on compounding, the debts would double in twenty years. **How little is coming in in cash is evidenced by the fact that the Treasury estimates for 1923 count on only $25,000,000 on account of interest and but $31,000,000 for principal;** though it now appears that recent action taken by Great Britain may raise these amounts $100,000,000 or so.

Of course, now that we have created a commission for the purpose of funding these debts, which are now in the form of demand notes, it is not to be expected that there will be much paid on either interest or principal, pending the conclusions of the commission and its negotiations with commissions from the debtor nations. It will be recalled that the Commission is not empowered to make the maturity of any of the bonds later than June 15, 1947, and that their rate of interest must not be less than 4¼ per cent. The Commission will expire within three years. I do not suppose that anybody dreams that bonds for a total of $11,518,000,000 are going to be paid within twenty-five years.

For example, the expenditures of France for 1921 were more than 15,000,000,000 francs in excess of receipts. On the basis of a gold standard franc—and the debts are all payable in gold—it appears that France is now going into debt annually about $3,000,000,000, which is only $770,000,000 less than her whole debt to us. If France were to abolish both army and navy she would thereby save only about 8,000,000,000 francs, or $1,600,000,000 annually, and would still have a huge deficit. Under such circumstances, it would look as though we would be fortunate if France could find enough to meet an annual interest charge of approximately $200,000,000, which would alone absorb about 5 per cent of her total receipts.

The United Kingdom is apparently in far better position, with a surplus in 1921-22, but this condition has been brought about by an enormous burden of taxation, and it is questionable how long the country can endure it.

Italy, Belgium, Poland, Greece, Roumania, Jugoslavia (Serbia) and Czechoslovakia, all show enormous deficits of receipts as compared with expenditures, ranging from $440,000,000 for Italy down to $9,000,000 for Czechoslovakia. Except in the cases of the last named country and Greece, none of them could balance their budgets even by total disarmament. Certainly there is no pleasing prospect here for the United States as an international bill collector.

The grand total of the public debts of the countries that are indebted to the United States is so great that if they were to sell all the property of their peoples they would be unable to raise enough to pay their obligations. For illustration, the total public debt of France is $50,000,000,000 gold, and the entire nominal wealth of the country is not more than $80,000,000,000. Of course, the recuperative power of an industrious people in time of peace is great, assuming them to enjoy good government and a sound economic system, but it would seem to be impossible, even under such conditions, for Europe to pay off her debts in gold until long after a century had passed. And if there should be more wars and heavy property losses and expenditures, the impossibility of Europe making payment in gold, at any time, would be a certainty. It would be foolish to predict perpetual peace or an ideal industrial system that would mobilize all the faculties and energies of the people for rehabilitation. It, therefore, appears that unless there should be some drastic readjustment of Europe's public finances, that continent

will struggle on, weighted and chained, unable to meet her obligations, and thus kept upon the brink of both political and economic ruin.

If these great war debts and the reparations exacted, were cancelled or scaled down to much smaller figures, hope and industry would synchronize in their revival. The dawn of a bright and prosperous day would be perceived, and the clouds of discontent and despair would be banished from the horizon. The American people would be beneficiaries of such a change, and the whole world would respond to the vitalizing forces which would be liberated for the good of mankind.

However, it is plain that in any event, payment of these debts cannot be made in gold. The only possible way of settlement is by exchange of commodities and of services. With substantially every nation in the world in debt and with all struggling to obtain gold to meet interest charges, and if possible, principal reductions, it is patent to the most superficial observer that there can be no economic stability or genuine industrial progress. Financial conditions will be hectic and the industrial situation so irregular and uncertain, and indeed so impossible, that neither business men nor nations can plan for the future or provide adequately the capital for business development.

Conclusion

In spite of these facts, we are now erecting tariff barriers to exclude the commodities of debtor nations and other nations are now pursuing, though in less degree, the same unwise, if not futile, policy. We are demanding payment of our debtors, but at the same time prevent payment by the only means which they can command. Principles of political economy are rejected, creditor nations are arresting industrial progress and destroying the only means by which an approach to world liquidation is possible. If Europe were free from her crushing debts, she would buy products and commodities from the United States, amounting to from eight to twelve billions of dollars annually, and the profits that would be derived by the American people would be greater, within a very few years by reason of this enormous foreign commerce, than required to discharge the 11 or 12 billions of dollars due to the United States from European nations. There is great force in the contention that as an economic proposition it would profit all nations if they were to cancel the foreign obligations due them. How can Germany pay reparations until she produces, and how can she produce unless she can find markets for her products? Her recovery will be delayed unless Russia is restored. Indeed nations are so interdependent that the prosperity of one is necessarily reflected in the prosperity of all.

It is time to readjust narrow nationalistic policies and outworn and mediaeval economic views, and bring ourselves into accord with modern conditions and progressive and liberal policies which will guide us towards a recognition of world unity and world solidarity.

COLUMBIA MOTORS

This company manufactures the well-known "Columbia Six." The stock is quoted about 4½ per share and is listed on the Detroit Stock Exchange. We consider the stock an attractive purchase.

FORD OF CANADA

It is rumour that a dividend will soon be paid by the Ford Company. The company is in an exceptionally strong cash position and earnings are reported to be the largest in the company's history. Market around 392 per share.

REYNOLDS COMMON

RSX is listed on New York Stock Exchange, also the Detroit and Chicago exchanges. The company manufactures Radio equipment and cushion springs. Earnings are reported large and production at capacity. Market about 50.00 per share.

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A complete circular will be sent without obligation to those who ask for Circular No. 10

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An Analysis of the

TOBACCO STOCKS

Possibilities due to mergers and consolidations amongst the Tobacco Companies at the present time makes the above circular interesting.

We shall be glad to mail you a copy on request

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Pittsburgh Philadelphia Chicago Baltimore and Wilmington

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

Aeolian-Weber	..	— 15	Gillette Safety Razor Co.	214	—218
Pfd.	30	— 60	Ingersoll-Rand	154	—160
American Piano	66	— ..	H. W. Johns-Manville	430	— ..
Pfd.	83	— 87	New Jersey Zinc	141	—143
American Type Founders	52	— 57	Niles-Bement-Pond	48½	—51½
Atlas Portland Cement	60	— 65	Phelps-Dodge Corp'n	172	—177
Babcock & Wilcox	115	—118	Royal Baking Powder	103	—107
Borden Co.	103	—105	Singer Mfg. Co.	90	— 92
Bucyrus, pfd.	94	— 98	Stetson (John B.)	313	— ..
Celluloid Co.	..	—102	Thompson-Starrett	58	— 65
Childs Co.	111	—114	Ward Baking Co.	128	—135
Crocker Wheeler	50	— 60	Yale & Towne Mfg.	305	—315
Jos. Dixon Crucible	134	—138			

Bank Stock Opportunities

BANK stocks, as a class, combine good income yields with a rather rare degree of safety; in addition, they offer possibilities of substantial principal enhancement. The safety element in bank stocks lies in the immense resources the older institutions have built up, the nature of the business engaged in and the careful scrutiny to which the activities of all banking institutions are subjected.

The opportunities for principal enhancement—or increased income yield—have their source in the need for new capital which naturally follows the growth of a bank's business, and the more or less settled policy of giving shareholders valuable subscription privileges when such capital increases are effected. An interesting description of this phase was presented in an earlier issue of this Magazine under a description of the Bankers Trust Co.:

"The Bankers Trust commenced with a surplus of $500,000 and in thirteen years succeeded in multiplying this over thirty times—on June 30, 1916, it reported surplus and undivided profits of well over $15,000,000, by which time its capital had also grown ten times to $10,000,000. Practically each increase was a melon to shareholders.

That the banking institutions of this country are now in a particularly strong position is evidenced by the report of Comptroller of the Currency Crissinger showing conditions as of May 5th last. As of that date, the combined resources of all reporting banks were well in excess of $20,000,000,000, and were greater than at the date of any previous call since April 28, 1921, with but two exceptions, the amount of reduction since the latter date being $383,607,000 and since June 30, 1921, the decline has amounted to $341,214,000. The Comptroller notes a "continued liquidation of loans and discounts, with an apparent tendency to increase holdings of United States government securities and miscellaneous securities, with corresponding reduction incident to liability for borrowed money and rediscount paper, and a noticeable increase in individual deposits."

It is possible, at this writing, to purchase shares in the strongest banking institutions at prices to yield from 4.53% to as high as 6.85% on the investment. These are good yields, by comparison with the average return available from higher-grade securities in other fields, and in view of the strong position the banks are now in, the prospects of extra disbursements are by no means negligible.

A group of some of the more attractive issues is offered in the attached table, which also shows increase in book value since February 28, 1921, and current yield.

PROMINENT BANK STOCKS

	Book Value April 28, 1921	Book Value May 5, 1922	Recent Price About	To Yield (%) About
NATIONAL BANKS:				
Park	332	331	424	5.69
Chatham & Phenix	220	*195	317	5.95
Commerce	232	245	264	§5.97
City	264	†228	328	§6.06
Chase	‡234	*209	317	6.20
	Feb. 28, 1921	Mar. 10, 1922		
STATE BANK:				
America	211	205	202	5.77
TRUST COMPANIES:				
Central Union	248	255	375	5.80
New York	486	*270	342	5.85
Equitable	234	232	288	§6.85

* Capital increased. † Not including National City Co. ‡ Ex. Chase Securities Co.
§ Including extras.

PARTICIPATING PREFERRED STOCKS

(*Continued from page 353*)

attractive. **The yield is 6.3% and there would appear to be an excellent chance of this road in a few years paying 6 to 7% on its securities.**

NEW YORK DOCK

Preferred stock is entitled to 5% and shares equally with common after 5%. In the past six years earnings have averaged 8.8% on the preferred and 5.18½ on both classes of stock. The preferred stock can be regarded as a good semi-speculative investment and looks rather attractive at 62 giving a yield of 8%. **The common stock has never paid more than 2½% and there is not much prospect of the participating feature of the preferred becoming valuable in the near future.**

PITTSBURGH COAL

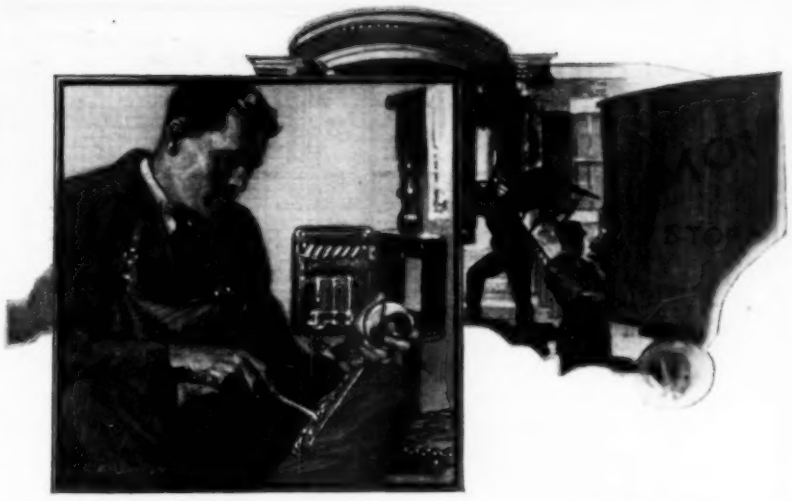
The preferred stock is entitled to 6% and shares equally with the common after 6%. The preferred stock is entitled to an excellent investment rating as during the boom times in the coal industry the company was conservative in dividends payments and as a result is in very strong financial condition with a working capital of $17,000,000. In 1921, which was not a particularly favorable year, 10.50% was earned on the preferred. Dividends on the common stock are being paid at the rate of 5%. No immediate increase in this rate is looked for in view of the strike. **The company has a very valuable property, however, and in years to come it is quite likely that the participating feature of the preferred may become valuable. At present price of 96 it can be regarded as a good long-pull investment.**

WESTINGHOUSE ELECTRIC

This preferred stock is already benefiting from its participating privilege as it is paying 8% on its par of $50. It is entitled to 7% and shares equally with the common after 7%. Both issues have paid dividends at present rate of 8% since 1919. For past ten years earnings have averaged 15.53% on both issues. This company is in very strong financial condition and an increase in the present dividend rates is likely. **The preferred can be regarded as a high-grade investment issue and likely to receive materially higher dividends in years to come.**

PRODUCERS & REFINERS

Preferred stock is entitled to 7% on its par value of $50 and participates with common after 7%. The common stock is not paying dividends at the present time but operations are understood to be on a very favorable basis and it is expected that dividends will shortly be started. **The company has very promising properties and there would appear to be an excellent chance of the participating feature of the preferred stock becoming valuable. At present price of 47 it can be regarded as an attractive semi-speculative investment.**



1,820,000 Telephones Moved

In the telephone business every day is "moving day." Telephone subscribers are probably the most stable and permanent portion of our population; yet during the past year one telephone out of every seven in the Bell System was moved from one place of residence or business to another at some time during the year.

The amount of material and labor, and the extent of plant changes involved in "station movement" are indicated by the fact that this item of service cost the Bell System more than $15,000,000 in 1921.

To most people, the connecting or disconnecting of a telephone seems a simple operation of installing or removing the instrument. As a matter of fact, in every case it necessitates changes in the cables and wires overhead or underground. It also necessitates changes in central office wires and switchboard connections; in subscribers' accounts and directory listings; and frequently requires new "drop" lines from open wires or cables.

The problems of station movement are among the large problems of the telephone service. Because of the double operation of disconnecting and re-connecting, the work involved is often twice as great as in the case of new subscribers. With nearly 2,000,000 changes a year, it is only by the most expert management of plant facilities that Bell service is enabled to follow the subscriber wherever he goes.

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Price about 107½

To yield 7.50%

The company has paid dividends at the rate of 8% per annum since 1903. In the 10 years, 1912 to 1921 inclusive, the earnings have averaged approximately 10%. During pre-war period 1910 to 1916 inclusive, the stock ranged between 120 low, 135 high.

Descriptive circular on request

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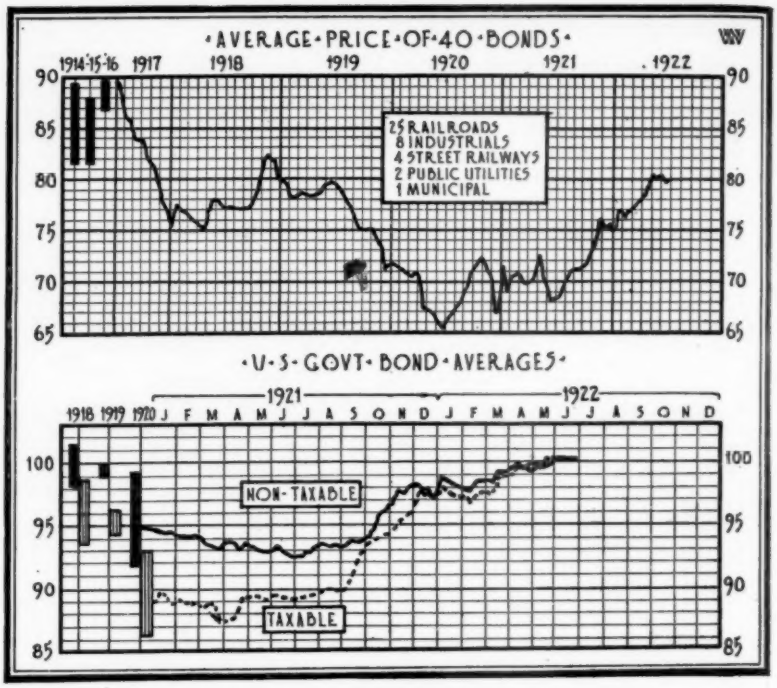
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MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, June 19.....	79.48	91.95	81.88	77.90	76.65	724,206
Tuesday, June 20.....	79.47	93.51	82.85	79.22	77.36	993,668
Wednesday, June 21.....	79.73	93.02	82.62	79.90	78.56	1,110,237
Thursday, June 22.....	79.66	93.15	83.60	79.85	78.43	855,090
Friday, June 23.....	79.81	93.07	83.73	80.11	79.07	738,730
Saturday, June 24.....	79.95	93.16	84.46	80.19	79.62	341,900
Monday, June 26.....	77.93	93.48	84.73	81.18	79.86	730,546
Tuesday, June 27.....	79.93	92.47	83.63	80.57	79.14	769,403
Wednesday, June 28.....	79.90	92.24	83.49	79.67	78.79	549,907
Thursday, June 29.....	79.84	92.06	83.73	79.70	78.63	651,210
Friday, June 30.....	79.91	92.93	84.45	79.97	79.08	512,910

CONTINUED GROWTH OF BUSINESS

(*Continued from page 338*)

ment, except in those industries such as coal and cotton textiles where labor troubles still continue.

With the productive situation as it is, activity in trade might well be expected and in fact retail and wholesale trade indexes show very satisfactory advances throughout the country.

Due to this activity of retail trade, demand upon wholesalers and the demand of the latter upon producers has been a growingly satisfactory one, while at the same time the activity of available funds is illustrated in the high figure maintained by bank transactions, deposits to individual accounts, as reflected in the accompanying graph, standing at $37,821,135,000 for May. It is this activity of bank deposits which gives rise to the belief that much larger borrowing demand will be brought to bear upon the banks in the near future and that as a result a feature of the summer and early autumn may be expected to be considerable growth both of loans and discounts and of deposits. Thus far nothing of the sort is reflected in the Federal Reserve statement, the Reserve System as a whole still maintaining an abnormally high reserve ratio but little below 80 per cent, while its portfolio of bills held has tended to decrease rather than to increase.

Conclusion

All in all the present outlook for business continues increasingly encouraging—so much so that the principal dangers now to be feared seem to be those which attend upon success. They are the possibility of over-lending by banks for undue speculation, possible inflation of prices, and the allied phenomena that have become familiar in the past. The danger of more aggravated labor troubles must also be confronted, but its seriousness is still to be accurately estimated. So far as tangible facts enter, the advance made during the spring has fully warranted all the predictions which were made in this publication and give promise of a satisfactory summer's trade.

Securities Analyzed in This Issue

BONDS

Non-Callable Bonds..... 341
Bond Buyers' Guide..... 343
New Security Offerings..... 345
Current Bond Offerings 380
Unlisted Bonds 382

PUBLIC UTILITIES

Public Utility Preferred Stocks... 363
Pacific Gas & Electric..... 364

MINING

Anaconda 368

COMMODITIES

Steel 340
Motors 397

INDUSTRIALS

Motor Truck Companies..... 350
Elk Horn Coal..... 353
American Car & Fdry..... 353
General Electric 353
Liggett & Myers..... 354
P. Lorillard 354
National Biscuit 354
Standard Milling 354
Otis Elevator 354
U. S. Steel 354
F. W. Woolworth..... 354
Pond Creek Coal..... 355
American Steel Foundries..... 356
Inquiries on Industrial Securities.. 357
New York Dock..... 387
Pittsburgh Coal 387
Westinghouse Electric 387

RAILROADS

Baltimore & Ohio..... 346
Inquiries on R. R. Securities..... 349
Chicago, St. Paul, Minneapolis & Omaha 352
Buffalo, Rochester & Pittsburgh... 352
Chicago & Northwestern..... 352
Minneapolis, St. Paul & Sault Ste, Marie 353
New York, Chicago & St. Louis... 353

PETROLEUM

California Petroleum 353
Pierce Oil 367
White Oil 367
Simms Petroleum 367
Producers & Refiners 387
Transcontinental Oil 393
Superior Oil 393
Standard Oil of N. J..... 354

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared	Stock Record	Payable
6%	Amer G & El pfd	1½%	Q	7-12	8- 1
$7	Amer Radiator pfd.	$1.75	Q	8- 1	8-15
7%	Barhart B&S 1&2 pf.	1¾%	Q	7-26	8- 1
4%	Brazilian T L&P	1%	Q	7-31	9- 1
$7	Burns B pr pfd	$1.75	Q	7-20	8- 1
7%	Can Coverters com.	1¾%	Q	7-31	8-15
3%	Cedar Rapids Mfg.	¾%	Q	7-31	8-15
8%	C R R of N J	2%	Q	7- 5	7-15
8%	C R R of N J	2%	Q	8- 3	8-15
5%	Chi St P Mpls & O.	2½%	SA	8- 1	8-21
7%	C St P Mpls & O pf.	3½%	SA	8- 1	8-21
6%	Columbia G & El.	1½%	Q	7-31	8-15
—	Corn Prod Ref com.	50c	Ext	7- 3	7-20
$7	Corn Prod R pfd.	$1.75	Q	7- 3	7-15
$4	Corn Prod R com.	$1	Q	7- 3	7-15
6%	Det River Tunnel.	3%	SA	7- 8	7-15
6%	DuPont de N deb.	1½%	Q	7-10	7-25
6%	Eisenlohr & Bros c.	1½%	Q	8- 1	8-15
$8	Famous P Lasky pf.	$2	Q	7-15	8- 1
6%	Gen Motors pfd.	1½%	Q	7- 3	8- 1
6%	Gen Motors 6% deb.	1½%	Q	7- 3	8- 1
7%	Gen Motors 7% deb.	1¾%	Q	7- 3	8- 1
7%	Harris Bros pfd.	1¾%	Q	7-11	8- 1
$6	Int Mer Mar pfd.	$3.00	SA	7-14	8- 1
7%	Lima Loco com.	1¾%	Q	8-15	9- 1
7%	Louisville & N.	3½%	SA	7-17	8-10
$10	Mahoning C R R c.	$5	SA	7-15	8- 1
$4	Marland Oil Co.	$1	ini	8-31	9-30
8%	Mont Lt H & P.	2%	Q	7-31	8-15
6%	Mont Lt H&P com.	1¼%	Q	7-31	8-15
$7	Nash Motors pfd.	$1.75	Q	7-20	8- 1
6%	Philadelphia R T.	1½%	Q	7-15	7-31
6%	Philadelphia R T.	1½%	Q	7-15	7-31
5%	Pittsburgh & L E.	2½%	SA	7-15	8- 1
—	Prairie Oil & Gas.	$2	Ext	6-30	7-31
$2	Sinclair C O com.	50c	ini	7-15	8-15
7%	Stl Co of Can c&pf.	1¼%	Q	7- 8	8- 1
8%	Superior Stl 1&2 pf.	2%	Q	8- 1	8-15
$2	Transue & Williams.	50c	Q	7- 1	7-10
7%	United G Imp pfd.	1¼%	Q	8-31	9-15
7%	U S Ind Al pfd.	1¼%	Q	6-30	7-15
$1	United Verde Ext.	25c	Q	7- 5	8- 1
$6	Wrigley Wm & Co.	50c	mo	7-25	8- 1

To the Stockholders and the Bondholders of

Consolidated Coppermines Company

At the request of a majority of the bondholders and creditors and a large number of the stockholders, the undersigned have consented to serve as a Reorganization Committee.

PLAN OF REORGANIZATION

1. Foreclose the mortgage and have the property bid in by the Reorganization Committee.
2. Organize a New Company with an authorized capital of $8,000,000, divided into 1,600,000 shares of the par value of $5.00 each.
3. Issue approximately 740,000 shares of stock in the New Company at $5.00 per share for the face value of all Bonds, unpaid coupons, notes, accrued interest, and all forms of indebtedness if and as approved by the Reorganization Committee. The total outstanding indebtedness is approximately $3,700,000.
4. Offer approximately 500,000 shares to present stockholders of the Consolidated Coppermines Company on the basis of 2 shares of stock of that Company and $2.50 in cash for each share of the stock of the New Company.

The stock offered to stockholders has been underwritten by a syndicate.

Reynolds, Fish & Co.
Members New York Stock Exchange
Syndicate Managers

THE BASES OF EXCHANGE

Bondholders will receive the stock of the New Company at par, to wit, $5.00 per share for the face value of their bonds and of all unpaid coupons up to August 1, 1922.

Stockholders will receive, for each 2 shares of the stock of the Old Company deposited, and $2.50 paid in cash to the Depositary, 1 share of stock in the New Company of the par value of $5.00.

Note holders will receive for the amount thereof, principal and interest up to August 1, 1922, stock of the New Company at the par value of $5.00 per share.

Claim holders of the Old Company, if their claims upon examination are approved and accepted by the Reorganization Committee, will receive, for such amounts as shall be allowed or adjusted by the Reorganization Committee, stock of the New Company at the par value of $5.00 per share.

The Plan of Reorganization clears the New Company from debt with the consequent heavy burden of interest charges and provides, besides 335,000 unissued shares, approximately $1,250,000 cash in its treasury for working capital and future corporate purposes.

Bondholders, stockholders, noteholders and other creditors of the Consolidated Coppermines Company are invited to forward their securities and claims to the Trust Department of the Depositary, The New York Trust Company, 100 Broadway, New York City, for deposit and to be held under the terms of the Reorganization Committee Plan and Agreement, dated June 1, 1922, on file with the Trust Company and receive its negotiable receipt or receipts therefor.

All stock certificates must be endorsed in blank, with the registered owner's name signed as it appears on the face of the certificate, and such signature must be witnessed, and guaranteed by a New York Stock Exchange Firm, or by a Bank or Trust Company of New York City, or elsewhere, having a New York correspondent, or acknowledged before a Notary Public.

BONDS: Bonds deposited must have February 1, 1921 and or August 1, 1921 and subsequent coupons attached.

THE NEW YORK TRUST COMPANY
Depositary,
100 Broadway, New York City

A. C. DOWNING, Jr.
Secretary

EDWIN O. HOLTER, Chairman
CHARLES L. HOFFMAN
JOSEPH B. COTTON
THOMAS A. MERRITT
HERBERT W. MORSE
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HOWARD D. SMITH
Reorganization Committee

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Securities Department
60 Wall Street New York

WHAT IS BEHIND THE ADVANCE IN MOTOR TRUCK SECURITIES?

(*Continued from page* 351)

tinuance of poor earnings, and therefore the importance of the truck business to the company is patent.

Bank debt still remains an important problem, with notes payable totalling about 8,000,000. It may be that before the end of the year a favorable opportunity will be afforded to finance the floating debt, and this would mean a more or less permanent obligation put out ahead of the share capitalization.

It would seem as if Pierce-Arrow's troubles are not yet wholly at an end, and, until the financial problem is nearer solution both the preferred and common shares are in an almost entirely speculative position, with much better relative speculative value in the senior stock than in the junior stock.

GENERAL MOTORS

A Big Factor

General Motors is one of the big factors in the truck business, but the diversification and ramification of that company's business and operations are so complex that lack of space prevents anything like adequate treatment here. The truck business is carried on in the General Motors division at Pontiac, Michigan, but the annual statements of the company do not separate earnings in a way which would make it possible to specify the proportion of truck business in dollars to the whole business. It is known that the truck output plays an important part in General Motors' operations, and insofar as the earnings of the whole company are concerned they have been showing a rapid comeback this year. In the first six months net will probably be between $20,000,000 and $30,000,000, with some expectation of earnings of about $1 a share on the common stock for the first half of 1922. By the middle of the Summer the company expects to be free of bank debt. The first quarter of the year showed a production of nearly 60,000 cars, trucks and tractors, or almost twice the total for the same quarter of 1921. The second quarter of 1922 promises even a greater output than the first quarter.

Conclusion

The General Motors debentures and preferred stocks are positively on the safe side now, and the common seems to have possibilities for somewhat further appreciation in price, although any advance is likely to be relatively slow.

REPUBLIC MOTOR TRUCK

Still in Difficulties

Republic Motor Truck is one of the largest companies in the country engaged exclusively in the manufacture of trucks but has failed to weather successfully the business depression. Whether or not business grew too fast and whether overhead became practically uncontrollable, the fact remains that if it had not been for the cooperation of banking creditors last year it might have been necessary to have appointed a receiver. The immediate issue, at the time the company found it practically impossible to stand independently, centered around the $2,500,000 first mortgage and collateral 7% notes. Noteholders were asked to agree to a five-year extension and at the same time the banks cooperated by agreeing not to press their claims. Those noteholders who agreed to the extension were given the privilege of subscribing to common stock at $8 a share to the extent of 10 shares for each $1,000 note.

Republic Motor previously had acquired control of the Torbensen Axle Company, but in the Spring of this year this interest was sold, so that apparently Republic Motor will continue in business solely as a maker of motor trucks.

The Troubles of 1921

Last year it became necessary to shut down the plant, but operations have been resumed and sales during the past few months are reported to have been 50% in excess of the sales of a year ago. There are no figures available to show actual earnings this year, but it is assumed that the company is in an improved position, particularly as interest coupons on the first mortgage and collateral 7% serial notes were paid May 1st. Of the total of these notes $500,000 were due November 1, 1921, but they were defaulted. If the whole issue of notes can be extended for five years, the company will have opportunity to pull itself out of the hole, and so far as may be ascertained there is nothing to indicate that this plan will not be followed through.

For a while, that is during 1918 and 1919, Republic Motor was able to earn fairly comfortable balances for the common shares and, in fact, was able to pay dividends of 2% in 1919. These are the only payments which have been made since the company was incorporated in 1916. The preferred stock, which is a 7% cumulative issue, paid dividends regularly from 1917 to 1921. Payments were then suspended, and at present accumulations amount to about 5¼%.

Republic lost $1,872,000 in 1921 and at the end of the year had a profit and loss deficit of $1,180,000. Failure of the company to come through the depression appears to be somewhat surprising, for notes payable did not show great increases nor were inventories particularly unwieldy—at least, they did not seem so. It rather looks as if the trouble really started back in 1919, for reasons which are not clear.

Conclusion

The present position of the company looks to be entirely speculative, and it may be that before it starts out again on an even keel there may be further readjustment Of course, a great real depends upon the extent of the recovery in the motor-truck field. It is known that competition is extremely keen and that a great premium must be placed upon effi-

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July 8.

ciency of production and selling methods. **Until it can be more clearly demonstrated that Republic is actually recovering some of its former earning power, both the preferred and common stocks must be classed as entirely speculative.**

PACKARD MOTOR

Motor Trucks Important

Packard Motor Car Company is probably known better as a maker of passenger vehicles, and yet in computing the company's possible operating results the manufacture of trucks plays on interesting part. In the five fiscal years from 1917 to 1921 inclusive, the company sold 29,464 passenger cars and 28,650 trucks. These figures are sufficient evidence of the importance of the truck end of the company's business, although in 1921 the sales of passenger cars were almost three times the sales of trucks. This was due not to any change in the company's policy as regards its truck output but because the demand for trucks fell off in greater degree than did the demand for the company's passenger cars.

On account of the quality and price the field for the Packard passenger car has been limited, although the company is now making lower-priced models which should command wider distribution. It is entirely possible that the development of the truck business can be carried, from this point, to greater lengths than the passenger-car business. At least, it is known and established that in the case of the Packard Company the truck business complements and supplements the passenger-car business, and that in years when truck business is small and poor, there is likely to be a marked decrease in net operating results. Packard is doing almost a record business in passenger cars now, and truck sales are showing a big increase over the corresponding periods of 1921. Packard truck production is in sizes of two tons and upward, and, of course, this imposes something of a limitation upon distribution.

Packard was forced to suspend dividends upon the common stock in 1920 but has continued payments upon the 7% cumulative preferred. The par of the common stock was changed from $100 to $10 in October, 1919, and up until October 30, 1920, dividends of $1 a share were paid on the $10 par stock.

The company lost heavily in the fiscal year ended August 31, 1921, and even in the first half of the current fiscal year showed a deficit after interest charges. It is likely that the second six months will overcome this deficit and that the company will end the year with some surplus, although chances do not seem to favor a resumption of dividends upon the common stock in the near future.

Conclusion

The 8% bonds due 1931 are a safe enough investment, although they are not secured by a mortgage, and dividends on the preferred stock are better protected by current earnings than they were for a time last year. The common is entirely in a speculative stage and has advanced from 5½ to 16 since the first of the year.

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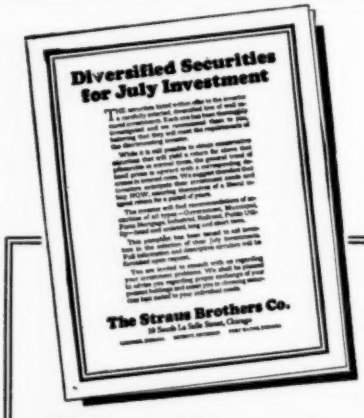
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NEW TRAPS FOR INVESTORS

(*Continued from page* 335)

future development of the entire industrial body.

There Should Be Vigilance Committees

It is the business of every Chamber of Commerce and of other commercial organizations in the United States to keep close watch on the itinerant stock salesman. It is the duty of such organizations to appoint vigilance committees, extra-legal Blue Sky Commissions, to make inquiry and report upon every stock offering that may be made to the people within its community. Concerted action by all of the Chambers of Commerce will drive the crooks away.

A great many communications come to me regarding the stock swindling now in operation throughout the country. Most of the data sent in is of the same type. The literature is worded in the same old way. The same artful dodges are used. Words are twisted and phrases distorted so as to appear that the spurious securities offered are really worth something.

In another article I am going to outline some of the new plans that are used for selling stock, but one is well worth considering here all by itself. The Mexia-Corsicana Oil and Development Securities Company's promoters are entitled to receive the palm for putting over a new one.

C. A. Tull and D. N. Yancey, according to the literature they have been distributing, are associated in some way with the Mexia - Corsicana Oil and Development Securities. It is hard to tell exactly where they fit in. The only thing apparent is that they are selling "interests" of a par value of $10. The capitalization of the organization is placed at $200,000, but there is nothing to show that the company is incorporated or organized under a declaration of trust (a sort of common-law corporation very popular among those who organize these Texas corporations. The Texas declaration of trust organization has been almost as useful to the fly-by-night promoter as the Delaware charter factory). So far as one can determine, Tull and Yancey are merely selling these so-called interests out of their own holdings—not out of the company treasury. The company itself is paying no salaries to its officials and pays only the actual expenses of selling the certificates. How much of the money realized from the sale goes into the treasury of the company there is no telling—possibly just enough to pay the expenses of selling the stock.

But here is the star feature: Printed on the certificates of shares is a guarantee by the State National Bank of Corsicana, Texas — bearing no date, by the way — which starts out with the naive statement: "The State National Bank of Corsicana, Texas, has on deposit sufficient funds to redeem this certificate and will redeem same under the following conditions and limitations." Evidently this is merely a statement of the condition of the State National Bank of Corsicana, Texas, for it does not say that these funds are to the credit of the Mexia-Corsicana outfit. It is just the bald statement that the bank "has on deposit sufficient funds to redeem this certificate." It is then provided that in two years, unless the company has paid $5 in dividends on each share, the bank will redeem the certificate for $5 a share; or if at the end of 10 years $10 has not been paid in dividends, the bank will pay $10 in redemption of each share. It is set forth in the guarantee also that when the stocks are so bought by the bank they become the property of Tull and Yancey and the bank is released from its guarantee. In order that you will not hesitate as to the guarantee by the State National banks, it is provided also: "Said Tull and said Yancey join in this guarantee as sureties."

When I read this guarantee I wrote a letter to D. R. Crissinger, Comptroller of the Currency at Washington, and asked him whether this guarantee was outside the charter privilege of a national bank. The reply that I received from the Treasury Department was not as complete as I would have liked. It says: "This matter was brought to the attention of this office soon after the advertisement in question appeared, and taken up with the bank. As the bank was without authority to guarantee obligations of the company and the advertisement was issued without its consent, the company agreed to withdraw the advertisement from circulation."

I do not know, but I assume that the Comptroller went further than merely requiring that the advertisement be withdrawn from circulation by the Mexia-Corsicana crew. The Comptroller states that the bank had no authority to guarantee such obligations, but the plea of the bank appears to be merely that the advertisement was issued without its consent. I wonder if the "guaranteed" certificates already sold have been withdrawn, or the buyers notified that the guarantee is worthless. I wonder, even, if the bank's depositors know of the affair. And I wonder, also, what steps have been taken by anybody to protect the poor boobs who sent in their money to the Mexia-Corsicana concern for a "National Bank Guaranteed Certificate."

(This is the second of a series of articles describing the methods of the swindling stock fraternity, and pointing out the causes for the existence of the evil. The next article will appear in an early issue.)

FIVE LOW-PRICED OILS

(*Continued from page* 367)

tism and a tendency to underrate rather than overrate prospects have characterised the attitude of the executive board, and no effort has been spared to rebuild what was an inherently sound organization before the Homer field fiasco.

Simms Petroleum today is operating principally in the Haynesville, Homer and Mexia fields. It is getting a substantial production and would no doubt be showing a tidy profit for its owners were it not for huge depletion charges assessed against past operations in acreage purchased at excessive figures. The company produced in the first quarter of this

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year close to 9,000 barrels daily and earned a surplus of over $711,000 before depletion and abandoned leases.

While unbiased critics are of the opinion that Simms' properties are too concentrated for the best results, it is apparent that the company is building up its organization as quickly as possible under the conditions. If the company's production keeps up, and nothing happens to interrupt the management's retrenchment schedule, another twelve-month should see Simms in a substantially stronger position. **The company's shares, like those of White Oil, give no impression of possessing unusual attractions, although they have fair possibilities, of a purely speculative sort, for a long pull.**

TRANSCONTINENTAL OIL COMPANY

Like the other companies mentioned in this review, Transcontinental has been "digging in" after two disastrous years, the latter of which (1921) saw earnings cut in less than half and drastic reductions forced in inventory holdings.

Comparatively little is heard about Transcontinental today. Perhaps that, in itself, is a favorable sign, when the reams that were written about the stock just prior to the big smash are called to mind. "The less said, the more accomplished," has been known to apply in other cases.

At any rate, as the table prefacing this article will show, the company's stock is one of the very few independent oil issues to have shared in the recent market upswing; in fact, it has almost doubled in price since the beginning of the year.

The fact is that, for all the unpleasant comments concerning this company that were circulated following the 1920-21 debacle, Transcontinental has some very valuable holdings, extensive equipment and a relationship on a contract basis with Standard Oil—the last no mean reference, from a trade standpoint.

Thus, the company's acreage, owned in fee or controlled by lease, includes the following:

Location	Acres
Texas	208,673
Kansas & Oklahoma	37,364
South America	1,850,000
Louisiana	2,252,802

In addition, it has leasehold properties scattered elsewhere throughout this country.

The company's equipment includes two refineries of 3,000 and 5,000 barrels capacity, respectively; it operates 18 casing-head gasoline plants; it has extensive storage facilities in Oklahoma and Texas, and owns nearly 500 miles of pipe lines.

These holdings, considered in conjunction with the company's marketing facilities, make Transcontinental an organization of real proportions and one to be reckoned with.

The company's individual activities at the present time are notable chiefly for the active development work it is doing. Besides absorbing the Continental Petroleum Co. in Oklahoma, and thereby acquiring an additional settled production of some 3,000 barrels daily, it has prosecuted an active drilling campaign on its own account. At last reports, Transcontinental was sinking 35 wells, and had locations for a number of others to be taken up in due time.

Of chief interest to stockholders in this company, however, is an agreement entered into with the Standard Oil Co. of California, whereby the former subsidiary undertakes to defray the cost of developing the vast acreage held by this Benedum-Trees organization in South America.

These developments are the basis for the increased confidence recently exhibited in Transcontinental shares. From an unbiassed point of view, they seem worthy of careful consideration. With the company forced down to a rock-bottom basis, its holdings revalued to account for last year's price declines, new money obtained through financing done last year, and production resources enhanced, Transcontinental may certainly be said to be in a far better position than for a long time past. **The shares are nothing but a speculation at current prices (see table) but as a speculation they have more attractions than most of the other low-priced independents.**

SUPERIOR OIL

Although last year's crude-oil collapse, as in the case of most other oil companies, was in great part responsible for the decline in Superior Oil's earning power and the deficit which stood on the books at the end of the year, it seems to be pretty fully established that interior dissension

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was accountable for the brunt of the company's troubles.

Hence, the news of a reorganization in the management personnel, with W. M. Irish, active vice-president of one of the largest of the former Standard Oil subsidiaries, elected to the presidency of Superior Oil, is of distinct importance to the stockholders of the company. In effect, this news means that, under even reasonably good trade conditions, Superior, no longer hampered by friction inside its affairs, should now be able to develop far more quickly than it has done, and substantially increase its earning power.

The company has a nice production at the present time, most of which is located in the Kentucky fields. In its manufacturing, refining and pipe-line equipment, it has at least the nucleus of a well-rounded organization. Of equal importance, it is sponsored by the Atlantic Refining Co., whose vice-president has taken active control of its management, and has contract arrangements with Atlantic which practically assure a market for its products.

A little human-interest story, which may have a very definite point in connection with Superior Oil's future, is built around the fact that a very large, reputable and conservative banking firm is at least morally interested in the rebuilding of this company, so that its stock may once more sell at $20 per share.

The company has no funded debt, the capitalization consisting of an authorized 2,500,000 shares, of which 954,208 are outstanding, with 527,500 held under a deposit agreement. In 1920, under comparatively stable conditions in the oil industry, the company was able to show a net income before dividends of $1,143,370, whereas last year a deficit of over $1,550,000 was piled up. **It is the opinion of those familiar with this company's affairs that the way has been cleared for it to once more become a profitable concern; and, although the shares are purely speculative, at current prices they offer rather unusual attractions to the purchaser who can afford to wait.**

BUSINESS OUTLOOK AS VIEWED BY ECONOMIC AUTHORITY

(*Continued from page* 334)

ington. In spite of reductions in army and navy, our outlays on other objects are such that little lessening of expense is to be expected during the fiscal year, 1923. The savings hoped for through budget reform are minor or questionable or temporary. There is, of course, the continuing burden of interest on public debt. At present, no large reduction of expense, hence none in taxation is in sight. Bonuses may necessitate large additions to our taxes.

Q.—Considering that the bonus will pass, what effect will this have on business conditions generally?

A.—That depends somewhat on the action of ex-soldiers entitled to the bonus. Assuming that most of them ask for cash adjustment and that they discount their certificates at banks, the first effect may be a serious inflation with more or less free use of buying power, rise of prices of consumable goods and eventually a considerable bond issue accompanied by heavier taxes to retire and pay interest on the bonds. These events may temporarily stimulate certain types of business, but will hurt others, much more, and must eventually operate in somewhat the same way as the war loans and expenditures. The final effect cannot be other than highly injurious.

Q.—Under the Transportation Act of 1920, have the railroads the chance to "come back" and regain their former high standing? Or have conditions permanently changed?

A.—The future of the railroads under the act, depends entirely on the extent to which the Government is willing to ensure them the chance to earn a net income by holding even the balance between rates and wages. There is nothing in the act itself to prevent railroad securities from regaining a premier place among investments. Conditions have changed in that the speculative or boom period of railroad construction and investment has probably permanently passed by.

Q.—What is the immediate future of American business?

A.—Recovery from depression is going forward satisfactorily. The United States is more fortunately placed, industrially speaking, than any country in the world. There is no reason now in sight, barring labor troubles of an aggravated sort, or new international complications why this progress should not continue. It may be overdone and produce reaction from time to time, but the general advance of business toward normal prosperity seems likely to continue. With conditions in the world as they now are, all forecasts must be for very short periods only.

BALTIMORE & OHIO R. R.

(*Continued from page* 347)

before the end of the year seems almost a certainty, for the following reason.

Baltimore & Ohio mortgage bonds are legal investments for savings banks and trust companies in this state at this time only because of an amendment of Congress in 1918 to the Banking Law. The law in this state provides that a railroad mortgage bond is a legal investment for savings banks and trust companies only if such railroad corporation shall have paid in dividends to its stockholders, during each of the five years preceding the date of such investment, in an amount equal to at least 4% upon all its outstanding capital stock. Under this provision alone, B. & O. bonds would have ceased to be a legal investment in 1920, the year following the passing of the common dividend but the amendment provides that

"The time during which any railroad is operated by the government of the United States . . . and two years thereafter,

and the earnings made and dividends paid during said time and said two years thereafter, shall not be taken into consideration in determining whether the bonds of the railroad corporation comply with any of the provisions for legal investments."

In the opinion of the Attorney General, the two-year period referred to, expired March 1, 1922, so that B. & O. has until March 1, 1923, to place its common stock on at least a 4% annual dividend basis if it intends to keep its mortgage bonds on the legal investment list. With the road in a position to resume a dividend at even a higher rate than 4% per annum, there is little doubt in the writer's mind that the directors will authorize a dividend disbursement this year.

Conclusion

From almost any angle B. & O. common appears to be, by far, the most attractive non-dividend paying railroad security on the list. Summarizing the entire situation we find:

1. B. & O. is rapidly recovering from the effects of government operation and high operating costs.

2. Earnings are running at a record rate this year, and all indications point to a still further improvement in the coming twelve months.

3. Under normal conditions this road paid as much as 6% on the common stock and had an uninterrupted dividend record from 1900 to 1919, inclusive.

4. There is every reason to believe that the directors of this company will make every effort to have their bonds remain legal investments. This will have a great bearing on the credit rating of the company and will facilitate future financing.

5. The road is well maintained and the management is highly efficient.

In the opinion of the writer B. & O. common has excellent possibilities of selling at over $75 a share within the year.

MATHEMATICS APPLIED TO THE STOCK MARKET

(*Continued from page* 332)

Distinction Between Speculation and Gambling

It is necessary to make a careful distinction between speculation and gambling. Anticipating probabilities is *not gambling.* Gambling is basing commitments on abstract probabilities, whereas *trading* in its full sense, is having *positive knowledge* of certain forces, and then calculating the probabilities based upon a number of factors, of which *some* or *many* are *definitely known,* and not in any sense matters of *chance.* The *anticipated* resultant force is then the *probable* resultant of n forces, of which x are unknown, and the other $n-x$ are *known.* (This algebraic notation will be fully appreciated by any one who has had some high-school mathematics.)

Such a result is certainly more probable than a resultant based on n forces, of which all are unknown, or expressed algebraically, where $n=x$.

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For Your Secretary

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BABSON'S REPORTS

To summarize:

1. One who bases his commitments on n forces when $n=x$ is *a gambler.*

2. One who bases his commitments on n forces when x = the number of unknown forces and n—x equals the number of known forces, is a *trader.*

3. If one could base his commitments on n forces when *all* are known, he would have a *sure thing,* which is rare, or ideal, and only possible over a very *short interval of time.*

4. One who bases his commitments on n forces when the ratio $\frac{x}{n-x}$ is closer to zero than it is to unity, is an *investor,* and as his probabilities of success are high, he will win in the long run.

Therefore, to be a *successful trader* one must insist that $\frac{x}{n-x}$ be less than ½. This is the mathematical formula which expresses success, for it means in plain English that the trader will be right over 50% of the time, on a series of commitments all involving the same unit of working capital.

"Sucker Plays" Lose

Reasonable cogitation over the above will make clear why "sucker plays" usually lose. It is because the total number of chances of success is less than 50% of all the forces acting.

Before making a commitment, make it a practice to review all available facts and influences that may have a bearing on the market price of your security. In this connection, a novice will find it necessary to give careful consideration to a great many influences, such as general business conditions, conditions in the particular industry represented by the security in question, money rates, financial condition of the company, past, present and probable future earnings of the company, general trend of the stock market, volume of shares traded, and many other factors. The experienced trader accomplishes all this in a very short period of time by a kind of sub-conscious mental integration of all these influences, by virtue of ability acquired by long experience.

It would be unfair to the inexperienced trader to close this brief dissertation without calling attention to two very important "don'ts":

1. Don't make a commitment when you feel uncertain of your own judgment. In other words, when temperamentally unfit, or tempted to make a commitment under excitement or stress or impulse, stay neutral.

2. Don't *take a chance.* Always have some *common sense reason* for a commitment, or don't make it.

TWENTY PUBLIC UTILITY PREFERRED STOCKS

(*Continued from page* 364)

Among the power companies on the Pacific Coast, Western Power Corp., which operates in the lower part of the state of California, seems to be a company which is in the early stages of de-

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velopment and in line for better things. It is a holding corporation controlling Great Western Power Co. and California Electric Generating Co., which operates a large power system chiefly hydro-electric.

Preferred issue is a 6% cumulative stock and there are accumulations of 13% which it is expected may be reduced in the near future. In 1920 dividend requirements on the preferred issue were earned almost three times, which appears to be an ample margin, and permit payment in instalments of the back dividends. Annual report for 1921 has not yet been published, but is expected to show up better than that of 1920. Meanwhile, the company has been putting its surplus earnings back into properties and is completing its various plants on the Caribou River. Selling at 80, the stock shows a yield of 7½%. In view of the accrued dividends, the stock has possibilities of higher prices on talk of adjustment of this item.

Standard Gas & Electric Co. is a holding company with holdings in various companies in many western states. Its principal subsidiary is Northern States Power Co., which is largely hydro-electric and is a good earner. Earnings are showing up well and preferred dividend requirements were earned almost three times in 1921. The preferred is a $50 par value stock paying 8%, or $4, annually. Selling at 46 the yield is better than 8% annually.

TRADE TENDENCIES

(*Continued from page* 340)

Buying remains well diversified and unfinished business is sufficient to keep the steel mills busy for several months even without any increase in new orders. Pig iron seems likely to be in increasing demand and the iron and steel industry on the basis of present conditions, faces a considerable period of activity.

MOTORS

Leads All Industries

In point of activity, the automobile industry continues to lead all others as the output of passenger cars and trucks for the month of May reached the record-breaking total of 252,000. Production for June promises to continue the same rapid pace as manufacturers are struggling to meet the heavy demand for cars. Although July will probably witness some slowing down, the outlook for the remainder of 1922 is very encouraging as demand from the farmering districts is expected to set in as soon as this season's crops are harvested. Higher prices for his products this year will undoubtedly play a part in the farmer's purchasing.

The surprising recovery in the automobile industry is illustrated by the sharp gain in production which took place in May, the total output being approximate-

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I have prepared a chart covering the fluctuations on the above stocks for 1920. It shows the splendid opportunities afforded by Puts and Calls to take advantage of the fluctuations on a small cash outlay. When trading with Puts and Calls your loss is at all times limited to the small amount paid for them, while profits are unlimited, or all that a rise or a decline in a stock permits. Puts offered on June 3rd, 1921, on Mexican Petroleum at 140 showed $3400.00 net profit on each 100 share Put by June 20, 1921.

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ly 32,000 cars in excess of the previous high mark and 161,600 ahead of production in January this year.

Prices are not expected to change one way or the other to any great extent. The high rate of output has complicated the manufacturers' problems and, contrary to what usually happens when plants are operated at capacity, costs have in many cases increased. This has been due to the necessity for shipping parts by express.

DIVIDENDS

Preferred Stock Dividend

Driver-Harris Company

HARRISON, N. J.

NOTICE OF QUARTERLY DIVIDEND PREFERRED STOCK DIVIDEND NO. 39

The Board of Directors, at a meeting held on June 20, 1922, declared the regular quarterly dividend of one and three-quarters per cent (1¾%) on the outstanding preferred stock, for the quarter ending June 30, 1922, payable on July 1, 1922, to all stockholders of record at the close of business on June 21, 1922. Transfer books will close from June 21, 1922, to July 1, 1922. Checks will be mailed.

P. E. REEVES, Treasurer.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY

A Quarterly Dividend of 2% ($1.00 per share) on the PREFERRED Stock of this Company will be paid July 15, 1922.

A Dividend of 2% ($1.00 per share) on the COMMON Stock of this Company for the quarter ending June 30, 1922, will be paid July 31, 1922.

Both Dividends are payable to Stockholders of record as of June 30, 1922. H. F. BAETZ, Treasurer.

New York, June 21, 1922.

INTERNATIONAL PAPER COMPANY

New York, June 28th, 1922.

The Board of Directors have declared a regular quarterly dividend of one and one-half per cent. (1½%), on the preferred capital stock of this company, payable July 15th, 1922, to preferred stockholders of record at the close of business July 7th, 1922.

OWEN SHEPHERD, Treasurer.

CHICAGO PNEUMATIC TOOL CO.

DIVIDEND NO. 69

A quarterly dividend of one per cent has been declared on the Common Stock of this Company, payable July 25th, 1922, to stockholders of record at the close of business July 15th, 1922.

J. L. PRICE, Treasurer.

New York, June 27th, 1922.

PACIFIC GAS AND ELECTRIC CO.

COMMON STOCK DIVIDEND NO. 26.

The regular quarterly dividend of $1.25 per share upon the Common Capital Stock of this Company will be paid on July 15, 1922, to shareholders of record at close of business June 30, 1922. The transfer books will not be closed and checks will be mailed from the office of the company in time to reach stockholders on the date they are payable.

A. F. HOCKENBEAMER, Vice-President and Treasurer.

San Francisco, California.

BAYUK BROS., Incorporated

PHILADELPHIA, PA.

June 28th, 1922.

Quarterly dividend of 2% on first and second preferred stocks of this corporation has been declared payable on July 15th, 1922, to the stockholders of record June 30th, 1922. Checks will be mailed.

HARVEY L. HIRST, Secretary.

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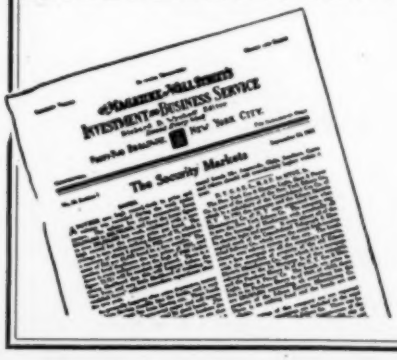
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